to the Committee on Post Office and Civil Service.

By Mr. HALPERN:

H.R. 12286. A bill to amend the Mutual Security Act of 1954, as amended, so as to provide for the establishment of a White Fleet designed to render emergency assistance to the people of other nations in case of disaster; to the Committee on Foreign Affairs.

H.R. 12287. A bill to establish an Interdepartmental Highway Safety Board; to the Committee on Interstate and Foreign Commerce.

By Mr. SILER:

H.R. 12288. A bill to provide for the establishment of a new fish hatchery on or near the Cumberland River in the eastern part of the State of Kentucky; to the Committee on Merchant Marine and Fisheries.

By Mr. BRAY:

H.R. 12289. A bill to amend title 10, United States Code, to provide for the identification of a military airlift command as a specified command, to provide for its military mission, and to eliminate unnecessary duplication in airlift; to the Committee on Armed Services.

By Mr. FASCELL:

H.R. 12290. A bill to authorize assistance under the Area Redevelopment Act in the case of any area which has been adversely affected by the imposition by the United States of an embargo on the importation of products from Communist or Communist-dominated countries; to the Committee on Banking and Currency.

By Mr. KEARNS:

H.R. 12291. A bill to designate the reservoir on the Shenango River above Sharpsville, Pa., as the George Mahaney Reservoir; to the Committee on Public Works.

By Mr. FULTON:

H.R. 12292. A bill to facilitate the entry of alien skilled specialists and certain relatives of U.S. citizens, and for other purposes; to the Committee on the Judiciary.

By Mr. SCHWEIKER:

H.R. 12293. A bill to provide an elected mayor, city council, and nonvoting Delegate to the House of Representatives for the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

By Mr. ULLMAN:

H.R. 12294. A bill to add table eggs to the Agricultural Marketing Agreement Act of 1937; to the Committee on Agriculture.

By Mr. TAYLOR:

H.J. Res. 751. Joint resolution requesting the President to enter into negotiations with Canada with respect to imports of softwood, and authorizing the establishment of temporary import quotas for softwood; to the Committee on Ways and Means.

By Mr. HALPERN:

H. Con. Res. 499. Concurrent resolution to establish a Joint Committee on Ethics in the legislative branch of Government; to the Committee on Rules.

## PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. DONOHUE:

H.R. 12295. A bill for the relief of Salvatore (Selvin) Zoppo; to the Committee on the Judiciary.

By Mr. LAIRD:

H.R. 12296. A bill for the relief of Tadao Nagashima; to the Committee on the Judiciary.

By Mr. CLEM MILLER:

H.R. 12297. A bill for the relief of Salim Salti; to the Committee on the Judiciary.

By Mr. O'NEILL:

H.R. 12298. A bill for the relief of Angelina De Stefano; to the Committee on the Judiciary.

## PETITIONS, ETC.

Under clause 1 of rule XXII,

369. The SPEAKER presented a petition of J. J. Mulrooney, executive vice president, National-American Wholesale Lumber Association, New York, N.Y., requesting that they be placed on record as opposing the favored and unjust tax position of cooperatives in competitive business, which was referred to the Committee on Ways and Means.

# SENATE

## MONDAY, JUNE 25, 1962

The Senate met at 12 o'clock meridian, and was called to order by the Vice President.

Rabbi David Shapiro, of Temple Sinai, Hollywood, Fla., offered the following prayer:

Father of the universe and of mankind:

In these soul-stirring times, we need Thy guidance and Thy blessing. Serious is the challenge that freedom-loving America faces. We seek peace; but we must safeguard life and liberty from possible onslaughts of godless, ruthless, and unprincipled aggressors.

While we must develop superior military might and diplomatic competence, we must also be filled with Thy holy spirit.

To win friends among wavering nations and to influence those who are on our side to continue to side with us, we must manifest by our own righteous conduct, superiority of the American way of thinking and living.

Bless Thou the Members of this great legislative body—the Senate of the United States of America—who have been chosen by the citizens of our country to preserve and advance our precious democracy.

May this land, under Thy providence, be an influence for good throughout the world, uniting men in peace and freedom, and helping to fulfill the vision of Thine inspired seers: "Nation shall not lift up sword against nation, neither shall men learn war any more." Amen.

## THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Saturday, June 23, 1962, was dispensed with.

## MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States submitting a nomination was communicated to the Senate by Mr. Miller, one of his secretaries.

## CALL OF THE LEGISLATIVE CALENDAR DISPENSED WITH

On request of Mr. MANSFIELD, and by unanimous consent, the call of the legislative calendar was dispensed with.

## LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. MANSFIELD, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

## COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. MANSFIELD, and by unanimous consent, the Permanent Subcommittee on Investigations, of the Committee on Government Operations, was authorized to meet during the session of the Senate today.

On request of Mr. MANSFIELD, and by unanimous consent, the Committee on Finance was authorized to meet during the session of the Senate today.

## EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of executive business, to consider the nominations on the Executive Calendar.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

## EXECUTIVE MESSAGE REFERRED

The VICE PRESIDENT laid before the Senate a message from the President of the United States submitting the nomination of Chaplain (Col.) Charles Edwin Brown, Jr., U.S. Army, for appointment as Chief of Chaplains, U.S. Army, as major general in the Regular Army of the United States and as major general in the Army of the United States, which was referred to the Committee on Armed Services.

The VICE PRESIDENT. If there be no reports of committees, the nominations on the Executive Calendar will be stated.

## U.S. AIR FORCE

The Chief Clerk read the nomination of Col. Arthur R. DeBolt, for appointment in the Air Force Reserve, to the grade of brigadier general, under the provisions of chapter 35 and section 8373, title 10, of the United States Code.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

## THE NAVY AND THE MARINE CORPS

The Chief Clerk proceeded to read sundry nominations, in the Navy and in the Marine Corps, which had been placed on the secretary's desk.

The VICE PRESIDENT. Without objection, these nominations will be considered en bloc; and, without objection, they are confirmed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of these nominations.

The VICE PRESIDENT. Without objection, the President will be notified forthwith.

## LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

## LEGISLATIVE PROGRAM

Mr. DIRKSEN. Mr. President, I should like to make inquiry of the distinguished majority leader: In view of the services to be held tomorrow in South Dakota, will the Senator from Montana state what the schedule of the Senate will be?

Mr. MANSFIELD. Mr. President, in view of the sad circumstances concerning the passing of our late, beloved colleague, Senator Francis Case, of South Dakota, and the understandable desire of many of our colleagues, on both sides of the aisle, to attend the funeral services in Rapid City, I ask unanimous consent that if there are any rollcall votes ordered tomorrow, they be put over until Wednesday.

In explanation, I wish to state that it is my understanding that the plane carrying the Members of Congress to the funeral will leave sometime early tomorrow morning and will return sometime tomorrow night.

Therefore, if my colleagues will agree with me, I make that request.

The VICE PRESIDENT. Is there objection? The Chair hears none; and it is so ordered.

Mr. DIRKSEN. Mr. President, I wonder whether the majority leader has any other observation to make in regard to the program for the remainder of the week.

Mr. MANSFIELD. It is anticipated that after the disposal of Calendar No. 1576, House bill 11879, an act to provide a 1-year extension of the existing normal tax rate and of certain excise tax rates, the Senate will proceed to the consideration of the following:

H.R. 12154, the Sugar Act extension, which I understand is being marked up today in the Finance Committee.

H.R. 12061, the Renegotiation Act extension, which has not been reported from the Finance Committee.

H.R. 11990, the debt ceiling increase, which has not been reported from the Finance Committee.

H.R. 10606, the extension of the Welfare Act, which will be brought up later in the week.

That is the best I can state at this time.

## THE AIRLINE STRIKE

Mr. MORSE. Mr. President, I wish to make a very brief statement regarding the very serious airline strike of Eastern Air Lines and of Pan American Airways, the latter checked for the time being by a temporary restraining order.

First, Mr. President, I wish to say that the President of the United States is unanswerably correct in his statement to the American people that a strike on these airlines at this time is bound to create a very serious national emergency, involving the economy of the Nation.

The Secretary of Labor continues to deserve the confidence and the high commendation of the Congress and of all the American people for the industrial statesmanship he has displayed and is displaying in connection with the pending disputes.

But now the time has come, in my judgment, when the American people must be the judges of this strike. When all of the facts are called to their attention, there is no doubt that they will come to the conclusion that this strike is basically a jurisdictional dispute between unions; for that, Mr. President, is what is involved here.

In my many years of work in the field of labor-dispute arbitration, I have always taken the position that free labor has the responsibility for settling its own family quarrels and cannot justify the use of the strike to resolve disputes of the nature and dimension of the kind which now involves the airlines. It is one thing for labor to be involved in an economic dispute with management; but it is quite another for labor to involve itself in a family quarrel and then proceed to bring upon the economy of the Nation the consequences of this irresponsible course of action which in my judgment characterizes this airline strike. I am hopeful that in the next few hours the parties concerned will work out with the Secretary of Labor a satisfactory solution of this problem.

But I would have the American people keep in mind at least two salient facts involved in this dispute: First of all, it is an old strategy, when there is a strike in an industry which is vested with a public interest—and the airlines are vested with a public interest—for labor to set up itself as the judge of the public safety or of some other public issue. Thus it is that these days the flight engineers are maintaining that they, and they alone, are the guardians of the safety of the American people on the airplanes which fly in this country. But, Mr. President, I would have the American people keep in mind that the members of all the other unions involved in the airline traffic in this country believe their lives to be as precious as those of the flight engineers; and I believe we can take notice of the fact that if the position of the flight engineers in regard to the matter of safety in air traffic were correct, none of the members of any other union could be persuaded to be flying on these airlines.

The VICE PRESIDENT. Under the 3-minute limitation, the time available to the Senator from Oregon has expired.

Mr. MORSE. Mr. President, I ask unanimous consent that I may proceed for several additional minutes.

Mr. MANSFIELD. Mr. President, the statement the Senator from Oregon is making is a very important one; and I ask that he be permitted to have as much time as he desires, in order to elaborate on the matter.

Mr. MORSE. I wish to have only a few additional minutes; but before I conclude, I intend to make a statement about my position on the introduction of appropriate and necessary legislation.

The VICE PRESIDENT. Is there objection to the request of the Senator from Montana? Without objection, it is so ordered.

Mr. MORSE. Mr. President, it is well to have the advice of the flight engineers in regard to what they think safety requirements are. But under our law, we have established a Government agency for the express purpose of protecting and maintaining the safety of the public in connection with the operation of the airlines. That agency is known as the Federal Aviation Agency. I say to the American people, "Look to the Federal Aviation Agency for the determination of whether the safety of the traveling public is endangered one whit by the decisions of five Presidential emergency boards and two Presidential commissions in rejecting the demands of the flight engineers on engineers' qualifications on jet aircraft."

I want labor to keep in mind the fact that it cannot stop the hands of the clock. It cannot turn back technology. It cannot turn back scientific advancement.

The view of the flight engineers on third-seat qualifications on jetplanes is part and parcel of their jurisdictional dispute. They feel that if they can hold onto their position, then they can have an unbreakable hold on the third-seat job on jet aircraft, and can manage their jurisdictional dispute with the pilots from an unassailable position.

The statesmanlike agreement that was negotiated last week with TWA, with the assistance of the Secretary of Labor, protects the Flight Engineers' Union, assures them of their collective bargaining rights, and offers them full retraining opportunities at the expense of the airline to meet third-seat jet aircraft qualifications. What they seem to want is a guarantee, in perpetuity, for certain license requirements and certain assurances that would simply mean that they could stop the hands of the clock in the field of technology.

Why the kind of air agreement which settled the identical issues in the TWA negotiations is not acceptable to them is beyond my understanding. I know of nothing in connection with the Eastern Airlines controversy or the Pan American controversy that would justify putting the flight engineers on those airlines in any different position from those covered by the TWA agreement negotiated last week.

Mr. President, it is very important that we keep the doors of collective bargaining open in regard to this question. They are being kept open in regard to the TWA matter.

We come now to the crux of the situation, which is whether or not any union in this country or any combination of unions, can put a jurisdictional dispute above the welfare of the public of the United States.

Here happens to be one U.S. Senator who takes the position that labor does not have that right. I repeat—for I know what the word "right" means in this whole field of labor law—labor does not have the right to impose upon the public of the country the irreparable

losses to the economy that are suffered when the flight engineers-pilots dispute over job qualifications is allowed to develop to a point where it shuts down the operations of the airlines of this country. No union, in the name of free labor, ought to have the right to cause irreparable damage to the public because it cannot settle its family quarrels.

Therefore, I announce now that I shall wait for a reasonable time, with the doors of collective bargaining open to the parties to the dispute, to iron out the issue on the basis of voluntarism in the field of labor relations. But if it becomes clear that the flight engineers are going to carry on a jurisdictional strike, endangering the health, safety, and welfare of the American economy, here is one Senator who will propose legislation for Congress to enact—and I hope it will enact it—that will set up a board for the handling of these jurisdictional disputes which labor has been unable to settle within its own house.

This is no new position for the Senator from Oregon. How well I remember a certain occasion, and although it relates to a personal experience, I want the RECORD to show it, because all I am proposing today is to carry out the same principle I fought for and insisted on in 1942 as a member of the War Labor Board. A jurisdictional dispute occurred in the Sperry-Gyroscope plant on the west coast. The Board was notified of the shutdown at 4 o'clock in the afternoon. There was not any doubt what that jurisdictional dispute would do to the war effort in time of war. The senior Senator from Oregon, then a member of the War Labor Board, made a motion that Mr. William Green, the head of the A.F. of L., and Mr. Murray, the head of the CIO, be notified by the War Labor Board that, unless they had that dispute settled within 24 hours, the War Labor Board would assign a board of arbitration to the dispute with final jurisdiction to settle it on the basis of the merits of the dispute.

I thought the ceiling would fall in on me as I listened to the protests from the labor side of the table, stating that I was arguing for compulsory arbitration of jurisdictional disputes. I said, "There is no doubt that the member from Oregon is proposing it, because I take the position that in time of war"—and I take the same position in time of any national emergency, but at that time I said in time of war—"labor does not have the right to engage in jurisdictional disputes within the house of labor that brings such a great loss to the war effort as this dispute will bring."

So I pressed my motion. A recess was called which lasted for several hours. Then labor said, "We have the dispute settled." I said, "You do not have the issue settled as far as this member is concerned. I now move, Mr. Chairman, that in the future, when a jurisdictional dispute breaks out between the labor unions that will result in irreparable damage to the war effort, it will be the policy of the Board to notify Mr. Green and Mr. Murray that they must proceed forthwith to settle the dispute, and if they cannot give assurance to the Board within 24 hours that they are going to get the matter settled quickly, then the Board will appoint a board of arbitration to settle the dispute for labor."

That motion was adopted by the Board, with the union members voting against the proposal. That was the policy of the Board throughout the war. The result was it showed how promptly labor could settle disputes within its own house.

I have advocated this principle on the floor of the Senate since 1947. The record will show that in 1947 the jurisdictional disputes settlement procedures specified in the Morse-Ives labor bill served as the model for the settlement procedures ultimately enacted in the Labor-Management Relations Act of 1947. I participated fully as a member of the Senate Committee on Labor and Public Welfare in the development of what is now the section 10(k) procedures of the National Labor Relations Act and my judgment on the most effective method for handling these disputes, which I again urge at this time, was ultimately vindicated in the Hake case decided by the U.S. Supreme Court a few years ago.

The record will also show that in 1947 I said the emergency disputes section in title II of the Labor-Management Relations Act would not work when labor or management did not want it to work. Experience of these past 15 years has demonstrated beyond any doubt the accuracy of this judgment.

The other day I introduced a general emergency dispute bill which refined the bill I had previously introduced. I plead again that Congress give attention to a general study of the question. I serve notice on the floor of the Senate that in the next few days we may be confronted with an emergency situation that will call for some emergency legislation.

So far as the senior Senator from Oregon is concerned, my bill, if I come to introduce it with regard to the pending dispute, will propose the procedures for the settlement of jurisdictional issues such as those involved in this dispute. We will find out whether or not in a jurisdictional disputes emergency such as we have here the Government of the United States is more powerful than any union or group of unions that seek to put their selfish interests above the welfare of the American people.

I well know the speech I have just made is not going to be popular in certain halls of labor, but that is no new experience for the senior Senator from Oregon. Time and time again, when I have been satisfied that labor has been wrong in a matter of principle, I have been as vigorous in my criticism of labor as I have been vigorous in my criticism of management when management has followed a similar course of action not in the public interest.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. MORSE. I will yield to the Senator in a minute.

I hope, Mr. President, that it will not be necessary for me to introduce such a bill in the next few hours, but I serve notice now that I shall introduce it unless, in regard to this dispute on Pan American and Eastern, labor can put its own house in order and settle what is, after all, basically a jurisdictional dispute.

I now yield to the Senator from Florida.

Mr. HOLLAND. Mr. President, I thank the Senator for yielding. I commend the Senator with all the strength I can state for the position he is taking and for the position which he took as a member of the War Labor Board on the occasion which he mentioned.

So far as the Senator from Florida is concerned, for the past two or three Congresses I have proposed legislation to take care of emergencies of the type mentioned. It may not be in exactly the same form as that which would be suggested by the Senator from Oregon, but, as now pending, it is S. 88 of the current Congress, introduced by the Senator from Florida on January 5 the first day for introduction of bills in 1961. It would provide in this important field of commercial aviation for compulsory arbitration under certain conditions.

I hope that the distinguished Senator, with the great background of knowledge which he has in this field, will examine that bill. The Senator from Florida has felt that not only is the public convenience and necessity to be considered, but also weight must be given to the fact that the public is the greatest investor in the system of commercial aviation.

The United States has several billion dollars invested in airfields. The local communities have several billion dollars of public funds invested in airfields. The United States is now engaged in an additional program of about three or four billion dollars having to do with giving greater safety in the air for travelers on commercial airlines, as well as for all others who travel in aircraft.

The U.S. Government, through various agencies, controls the schedules, the granting of routes, the rates upon those routes, the licensing of aviators, the allowance of subsidies, and every other incident which is vital in this whole field.

Since the public has made this immense investment and has set up this great organization, to assure the giving of safe and continuous service, why the public should have to see that service disrupted because of an arbitrary position of a small union, of a large union, or of any group of unions, the Senator from Florida does not understand.

I commend as strongly as I can the position taken by my able friend, who has a greater background of knowledge and experience in this field than is possessed by any other Member of the Senate. I hope he will pursue the question not solely from the standpoint of meeting the current threat, but also from the standpoint of having effective machinery available to prevent any such threat, because we have seen, from unhappy experience of the past 3 or 4 years, that the selfish groups are not all in one field or confined to the presently affected group of airline carriers alone. The public must be better protected than is possible under current law.

I shall join the distinguished Senator in every effective way possible.

Mr. MORSE. I thank the Senator from Florida very much. If we can get hearings on the general emergency dispute bill which I introduced the other day, that would incorporate hearings on the Senator's bill. When I introduced my bill I said I was not married to it, that I thought we would have to hammer out on the anvil of give and take a bill which would accomplish the purpose I have in mind, which would be fair to all interests concerned. I think we ought to get on to the job of hearings on a general bill. I am serving notice that so far as this particular emergency is concerned it may be we shall have to take action.

Mr. GRUENING. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. GRUENING. I join my colleague from Florida in highly commending the senior Senator from Oregon for his forthright, clear, appropriate, and timely comment on the situation which confronts us. His speech deserves the widest recognition. It is courageous, pertinent, and contains statements which should be made. Both Florida and Alaska, at opposite ends of our Nation, will be seriously injured if Eastern and Pan American are prevented from flying.

We in Alaska, as well as the people of the whole country, would suffer if vital transportation were paralyzed by a jurisdictional dispute in which one small group of airline workers point a pistol at the head of the Government Agency, at all other unions, and the public and say, "These planes will not fly." That is an intolerable situation both in time of war and in time of peace when a vital industry is paralyzed by a jurisdictional strike within it. I hope that the legislation which the senior Senator from Oregon proposes will not be needed, and that his clear statement on the subject will suffice to prevent such a future disaster.

Mr. MORSE. I thank the Senator from Alaska very much.

Mr. HOLLAND subsequently said: Mr. President, a few minutes ago the distinguished senior Senator from Oregon [Mr. MORSE] delivered an excellent address on the subject of the necessity of safeguarding the public against jurisdictional strikes in the commercial aviation industry. The Senator from Florida participated in a colloquy at that time with the Senator from Oregon. Since that time I have noted an editorial in the Washington Star of today entitled "Inexcusable Strike." I ask unanimous consent that the editorial may be printed at the end of the colloquy which I had with the distinguished Senator from Oregon.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

INEXCUSABLE STRIKE

President Kennedy says that continuation of the strike by the flight engineers would be the "height of irresponsibility." George Meany, AFL–CIO president, says the strike is not in the national interest. And Secretary of Labor Goldberg says that he personally will lead a new Government effort to settle the dispute.

All of this is fine as far as it goes. But it doesn't go far enough.

There are several issues, but this, at heart, is a jurisdictional strike—that is, a strike growing out of a fight between two unions which management has no means of settling. It is an attempt to enforce a purely selfish demand by punishing the employer and the public. It is a strike which, as Mr. Kennedy suggests, reflects less than a "minimum concern for the public interest." And it is the latest in almost a score of strikes growing out of this same jurisdictional issue in the past 10 years.

Perhaps the dispute can be patched up temporarily along the lines of the TWA agreement, although this is far from certain. Even the TWA agreement, however, it is not a settlement of the basic jurisdictional dispute. At best, if ratified by the union members, it would merely delay a showdown.

In this situation, if the public interest is to be safeguarded, there can be but one real remedy. And this is an amendment of the Railway Labor Act to require that disputes such as this be submitted to binding arbitration. Many people, on both sides of the labor-management street, are against compulsory arbitration of anything. But the public, we think, would welcome it. And the reckless behavior of the flight engineers demonstrates that the public is entitled to it.

Mr. HOLLAND. Mr. President, in line with the remarks of the Senator from Oregon [Mr. MORSE], the Senator from Florida, the Senator from Alaska [Mr. GRUENING], and others at that time, I quote the following paragraph from the editorial:

In this situation, if the public interest is to be safeguarded, there can be but one real remedy. And this is an amendment of the Railway Labor Act to require that disputes such as this be submitted to binding arbitration. Many people, on both sides of the labor-management street, are against compulsory arbitration of anything. But the public, we think, would welcome it. And the reckless behavior of the flight engineers demonstrates that the public is entitled to it.

## EXECUTIVE COMMUNICATIONS, ETC.

The VICE PRESIDENT laid before the Senate the following letters, which were referred as indicated:

REPORT ON SPACECRAFT OPERATIONS AND CHECKOUT FACILITY, CAPE CANAVERAL, FLA.

A letter from the Administrator, National Aeronautics and Space Administration, Washington, D.C., reporting, pursuant to law, on a project in the amount of $8,550,000 for a spacecraft operations and checkout facility to be located at the Atlantic Missile Range, Cape Canaveral, Fla.; to the Committee on Aeronautical and Space Sciences.

REPEAL OF SECTION 557 AND AMENDMENT OF SECTION 559 OF ACT TO ESTABLISH A CODE OF LAW FOR THE DISTRICT OF COLUMBIA

A letter from the Attorney General, transmitting a draft of proposed legislation to repeal section 557 and to amend section 559 of the act entitled "An act to establish a code of law for the District of Columbia," approved March 3, 1901 (with an accompanying paper); to the Committee on the District of Columbia.

REPORT OF DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

A letter from the Secretary of Health, Education, and Welfare, transmitting, pursuant to law, a report of that Department, for the fiscal year 1961 (with an accompanying report); to the Committee on Labor and Public Welfare.

## REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. ANDERSON, from the Committee on Interior and Insular Affairs, with amendments:

S. 114. A bill to authorize the Secretary of the Interior to construct, operate, and maintain the Waurika reclamation project, Oklahoma (Rept. No. 1621).

By Mr. ANDERSON, from the Committee on Interior and Insular Affairs, with an amendment:

S. 2973. A bill to revise the boundaries of Capulin Mountain National Monument, N. Mex., to authorize acquisition of lands therein, and for other purposes (Rept. No. 1625); and

S. 3112. A bill to add certain lands to the Pike National Forest in Colorado and the Carson National Forest and the Santa Fe National Forest in New Mexico, and for other purposes (Rept. No. 1626).

By Mr. CHURCH, from the Committee on Interior and Insular Affairs, without amendment:

S. 3342. A bill to approve an order of the Secretary of the Interior canceling irrigation charges against non-Indian-owned lands under the Klamath Indian irrigation project, Oregon, and for other purposes (Rept. No. 1624).

By Mr. CHURCH, from the Committee on Interior and Insular Affairs, with an amendment:

S. 3174. A bill to provide for the division of the tribal assets of the Ponca Tribe of Native Americans of Nebraska among the members of the tribe, and for other purposes (Rept. No. 1623).

By Mr. CHURCH, from the Committee on Interior and Insular Affairs, with amendments:

S. 405. A bill to authorize the Secretary of the Interior to construct, operate, and maintain the Mann Creek Federal reclamation project, Idaho, and for other purposes (Rept. No. 1620).

By Mr. GRUENING, from the Committee on Interior and Insular Affairs, without amendment:

S. 2530. A bill regarding a homestead entry of Lewis S. Cass (Rept. No. 1627).

By Mr. BIBLE, from the Committee on Interior and Insular Affairs, without amendment:

S. 3089. A bill to amend the act directing the Secretary of the Interior to convey certain public lands in the State of Nevada to the Colorado River Commission of Nevada in order to extend for 5 years the time for selecting such lands; (Rept. No. 1622); and

H.R. 9822. An act to provide that lands within the exterior boundaries of a national forest acquired under section 8 of the act of June 28, 1934, as amended (43 U.S.C. 315g), may be added to the national forest; (Rept. No. 1628).

By Mr. BARTLETT, from the Committee on Armed Services, with an amendment:

S. 2020. A bill to amend part IV of subtitle C of title 10, United States Code, to authorize the Secretary of the Navy to develop the South Barrow gasfield, naval petroleum reserve numbered 4, for the purpose of making gas available for sale to the native village of Barrow and to other non-Federal communities and installations, and for other purposes; (Rept. No. 1629).

## BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by

unanimous consent, the second time, and referred as follows:

By Mr. MANSFIELD (for Mr. CHAVEZ):

S. 3467. A bill for the relief of Joan M. Brush; to the Committee on the Judiciary.

By Mr. KEATING:

S. 3468. A bill to amend section 1905 of title 18 of the United States Code, and for other purposes; to the Committee on Banking and Currency.

(See the remarks of Mr. KEATING when he introduced the above bill, which appear under a separate heading.)

By Mr. HAYDEN:

S. 3469. A bill for the relief of Tung Gay Yee; to the Committee on the Judiciary.

By Mr. LAUSCHE:

S. 3470. A bill for the relief of Mrs. Nesta D. Staples; to the Committee on the Judiciary.

By Mr. COOPER (for himself and Mr. MORTON):

S. 3471. A bill to provide for the establishment of a new fish hatchery on or near the Cumberland River in the eastern part of the State of Kentucky; to the Committee on Commerce.

By Mr. PROXMIRE:

S. 3472. A bill to provide for the vesting of primary responsibility for the protection of the public health and safety from radiation hazards in the Public Health Service of the Department of Health, Education, and Welfare, and for other purposes; to the Committee on Labor and Public Welfare.

(See the remarks of Mr. PROXMIRE when he introduced the above bill, which appear under a separate heading.)

By Mr. BENNETT:

S. 3473. A bill relating to the refund to the States of any unexpended balance of taxes collected under the Temporary Extended Unemployment Compensation Act of 1961; to the Committee on Finance.

(See the remarks of Mr. BENNETT when he introduced the above bill, which appear under a separate heading.)

By Mr. CLARK:

S.J. Res. 203. Joint resolution to authorize the President to designate Philadelphia, Pa., as the site of a world's fair commemorating the 200th anniversary of the signing of the Declaration of Independence; to the Committee on Foreign Relations.

## RESOLUTIONS

### PRINTING OF ADDITIONAL COPIES OF COMMITTEE PRINT ENTITLED "PERFORMANCE OF THE STATES" (UNDER KERR-MILLS BILL)

Mr. SMATHERS (for Mr. MCNAMARA) submitted the following resolution (S. Res. 354); which was referred to the Committee on Rules and Administration:

*Resolved*, That there be printed for the use of the Special Committee on Aging nine thousand additional copies of its committee print of the Eighty-seventh Congress, second session, entitled "Performance of the States—Eighteen Months of Experience with the Medical Assistance for the Aged (Kerr-Mills) Program."

### THE PRESIDENT-ELECT OF COLOMBIA AND HIS WIFE

Mr. GORE submitted a resolution (S. Res. 355) extending greetings of the Senate to President-elect Valencia of Colombia and his wife, which was considered and agreed to.

(See the above resolution printed in full when submitted by Mr. GORE, which appears under a separate heading.)

## FREEDOM OF INFORMATION UNDER THE EXPORT CONTROL ACT

Mr. KEATING. Mr. President, I introduce, for appropriate reference, a bill to amend section 1905 of title 18 of the Criminal Code with regard to the disclosure of information under the Export Control Act. The bill incorporates the general principles embodied in my proposed amendment to the Export Control Act relating to the disclosure of information. I withdrew that amendment prior to our approval of the bill to extend the act on Saturday because of the concern expressed as to the meaning of the term "trade secret." My amendment was not intended for the benefit of rival business firms, but for the benefit of the public and the Congress. Hearings on this provision will enable us to develop clear guidelines for differentiating between legitimate trade secrets and other types of information which should not be suppressed by those administering export controls.

The purpose of this bill is to insure the fullest and freest possible flow of information between our Government and the public in this crucial area of the cold war struggle. The law is now written to create a presumption against the disclosure of all such information. The Commerce Department, in defending this provision, relied upon a section of the U.S. Criminal Code which, in my judgment, is designed to prohibit anyone who has access to confidential information from using it in an unauthorized manner for personal gain or other improper purposes. I certainly do not interpret this provision of the Criminal Code as justification for a general policy of secrecy in Government, and my bill, by amending this section of the code, will make this clear.

The withholding of information—with few essential exceptions—can never be in harmony with our system of government. During the discussion on the Export Control Act, there appeared to be general agreement that we should attempt to improve existing law in this area. There should be no dispute over attempts to eliminate all possible barriers to the flow of information.

It is in this spirit that I introduce this measure today. I am confident that we can arrive at a reasonable solution to this serious problem during this session of Congress. It is my hope in the light of the colloquy which took place on Saturday that there will be early hearings on this bill by both of the interested committees, the Committee on the Judiciary and the Committee on Banking and Currency, and that the Senate will have an early opportunity to act on this measure.

Mr. President, I ask unanimous consent that the text of my bill be printed at this point in the RECORD.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the bill may be printed in the RECORD as requested.

The bill (S. 3468) to amend section 1905 of title 18 of the United States Code, and for other purposes, introduced by Mr. KEATING was received, read twice by its title, referred to the Committee on Banking and Currency, and ordered to be printed in the RECORD, as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That section 1905 of title 18 of the United States Code is amended by adding at the end thereof the following new paragraph:

"Nothing in this section shall be construed to authorize any department, agency, or official exercising any functions under the Export Control Act of 1949, as amended, to withhold or refuse to disclose information obtained thereunder, except trade secrets and similar information submitted on a confidential basis, unless the head of such department or agency determines that the disclosure of such information will be contrary to the national security. No such information shall be withheld from either House of Congress or any duly authorized committee thereof, if a request is made for such information by either House of Congress or by a duly authorized committee thereof."

SEC. 2. Subsection (c) of section 6 of the Export Control Act, as amended, is repealed.

## RESPONSIBILITY FOR PROTECTION AGAINST RADIATION HAZARDS

Mr. PROXMIRE. Mr. President, in the 9 months since the Soviet Union resumed nuclear testing, there has been one radioactivity scare after another. Faced with this obvious problem the Federal Government has been indecisive. It has failed to provide the authoritative, comprehensive guidance that the public needs and wants.

The absence of central authority on radiation health dangers has created a situation of distrust and confusion fanned by often ill-informed public debate. As a result many families, especially those with young children, are alarmed by the often conflicting reports of possible danger from nuclear test by-products. In addition, an important food, milk, has been singled out unfairly for criticism and economic boycott.

Up to now, many milk producers have hoped that if they keep silent, the radiation problem will clear up and will go away. But it is plain that this is wishful thinking. Positive, definite steps are needed in order to combat the widespread public uncertainty about milk.

I am therefore today introducing a bill to put the Public Health Service in charge of health and safety problems relating to radioactivity. The Service would be given full responsibility by law for stating comprehensive, authoritative guidelines on radioactive hazards and protection.

One result of the present state of confusion is that milk has been singled out as a carrier of radioactive strontium 90, when in fact the key ratio of strontium to calcium in milk is one-tenth that of plant foods. This means that if a child gets its necessary bone-building calcium from plant foods, rather than from milk

which is the natural important source, its strontium 90 intake is multiplied.

Far from being criticized, the dairy cow is winning high praise from nutrition experts because it does such an effective job in eliminating strontium 90 from human diets. Testimony on this point was presented last week to the Congressional Joint Atomic Energy Committee. Unfortunately, it did not receive the public attention which it merits.

Putting the Public Health Service in charge of all aspects of health and safety problems relating to radioacivity would go a long way toward clearing up the confusion and apprehension which now surround this important problem. I recognize that the Public Health Service already has important responsibility in the field of protection against radiation hazards. President Eisenhower's Executive order in 1959 went some way toward establishing the necessary authority. But it did not go far enough, as we have seen in the past few months. I firmly believe that firm legislative authority is needed now, in order to put the Public Health Service fully in charge of this important subject.

With this in mind, Mr. President, I introduce a bill to give the U.S. Public Health Service primary responsibility for protecting the public health and safety from radiation hazards; and I ask that the bill be appropriately referred.

The VICE PRESIDENT. The bill will be received and appropriately referred.

The bill (S. 3472) to provide for the vesting of primary responsibility for the protection of the public health and safety from radiation hazards in the Public Health Service of the Department of Health, Education, and Welfare, and for other purposes, introduced by Mr. PROXMIRE, was received, read twice by its title, and referred to the Committee on Labor and Public Welfare.

Mr. PROXMIRE. Mr. President, the June 12, 1962, issue of the Dairy Industry Newsletter, contained an excellent, comprehensive summary of the radioactivity problem as it affects milk and dairy products. The editor of the Newsletter, Miss A. Olivia Nicoll, is recognized as an outstanding expert on subjects affecting the dairy industry. I ask unanimous consent that her report, based in large part on the radiation hearings conducted by the Joint Atomic Energy Committee, be printed at this point in the RECORD.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

RADIOACTIVITY COUNTERMEASURES

At the Joint Committee on Atomic Energy's radiation hearings last week there was a good deal of emphasis on the need for developing countermeasures which could be instituted in the event that iodine 131 and the strontium 90 levels reached a point in certain "hot spots" where they might be sustained for a dangerous period at the top of Range II of the Radiation Protection Guides promulgated by the Federal Radiation Council. This could mean, probably only in a few isolated instances, that the annual average daily intake level could be reached which would call for the institution of some controls. The developments at the radiation hearings are covered in more detail in a subsequent report in this Dairy Industry Newsletter. During the week the National Advisory Committee on Radiation submitted a report which dealt at some length with this countermeasure activity. Incidentally, it might be appropriate to mention here that during the Atomic Energy Committee hearings a great deal was said about the need for clearly defining the authority for the institution of countermeasures. Up to this time there is no such clear definition. Most of the witnesses appeared to feel that the appropriate agency to have the responsibility for the promulgation of control regulations would be the U.S. Public Health Service, but, of course, the President should probably be the one in whom the authority is vested to actually invoke countermeasures.

*I–131 controls*

The NACOR Report states that one of the first countermeasures to consider against iodine 131 is the placing of all children of early age, lactating mothers and pregnant women on evaporated milk or powdered dry skim milk. They point out that this would produce no deleterious side effects to health and that the dairy industry has sufficient capacity to supply the additional quantities of processed milk which the women and children may need.

Other control measures mentioned by the committee which have been considered include the use of refrigerated storage of fluid milk; frozen fluid milk; frozen whole milk concentrates; and canned, sterile whole milk, each of which has been stored for an appropriate time. However, they state that the milk industry does not now have the storage, refrigeration, or processing capacities to make such countermeasures applicable for the entire population. Also considered was the pooling of fresh fluid milk from regions of high contamination with that produced in uncontaminated areas. The committee comments that such a countermeasure is considered generally unsatisfactory because of logistical problems and a need to have more detailed knowledge of radionuclide levels than is now available.

The NACOR report says that the decontamination of iodine 131 from milk by the ion exchange method is another countermeasure which has been studied intensively. However, they say that the research needed to bring this to the point where it is satisfactory has not been completed and, furthermore, the process poses a number of legal questions due to changes in the composition of decontaminated milk which are of concern to the Food and Drug Administration. They also speak of the possibility of feeding dairy cows uncontaminated feeds, or with feeds which have been stored for a long enough period for their radioactivity to decay. They point out, however, that this countermeasure requires the availability of a large feed storage capacity the year round.

As far as the addition of stable iodine to the diet and the medical administration of thyroid extracts are concerned, the committee said that these two countermeasures have received considerable study. They say that in spite of the ability of both methods to reduce radio iodine accumulation, their use as countermeasures should usually be reserved for limited application due to dangers inherent in the administration of food additives and medicants to large population groups.

*Strontium 90 controls*

As far as strontium 90 is concerned, the NACOR report says that at the present time there are no countermeasures which fulfill all of the primary requirements of effectiveness, safety, and feasibility. The countermeasure which has probably received the most attention is the removal of strontium 90 by the ion exchange technique and the report says that encouraging progress has been made in this regard. The NACOR report goes on to say: "However, much more research must be done, both in the laboratory and in the field to test the method's applicability on a commercial scale. Furthermore, studies are needed by the Food and Drug Administration to resolve a number of legal problems associated with the method since the composition and ion balance of the milk are altered by the process."

*Independent action*

A striking bit of testimony was offered at the Atomic Energy Committee hearings by Mr. Alexander Grendon, coordinator of atomic energy development and radioprotection in California. He said: "It should be helpful, for example, in orienting those well-meaning individuals who demand prompt introduction of processes for the removal of strontium 90 from milk, to point out that with the prevailing levels of that radionuclide, the estimated present cost of the process, and the more pessimistic of current estimate of leukemia incidence per strontium units, the cost per case averted would be of the order of a billion dollars."

The NACOR report also deals briefly with independent countermeasure action and says that there has been a tendency of certain population groups to make their own interpretation of published levels of radio contamination and to urge the application of those countermeasures which seem appropriate. The report says: "The committee is sympathetic with the concern of such groups. Some public authorities have not always seemed alert to the problem which widespread contamination poses. There has also been no clear definition of countermeasure policy in the United States. In spite of this, the committee urges the avoidance of independent countermeasure action. Not infrequently, such action involves the use of countermeasures which are associated with risks approaching or exceeding those of the contaminants. Often, such action is ineffective in reaching the objectives sought. To avoid these and similar problems, recommendations on countermeasures must be promulgated from a single authority, acting after full evaluation of the effectiveness, safety and feasibility of the measures to be taken."

*Budget increase recommended*

The NACOR report recommends that the U.S. Public Health Service be provided with funds adequate to meet its broad responsibilities in radiological health. They estimate a budget requirement of $25 million in 1962–63 and increasing amounts each year thereafter until an annual budget of $100 million is reached by 1970. They point out that the 1962–63 budget currently before Congress calls for expenditures just under $16 million. They say further that this figure includes undesirably small amounts of money for research and development and inadequate funds for the promulgation of strong Federal-State activities, with much too little support for countermeasure efforts.

RADIOACTIVITY

Milk came off well in some of the expert testimony presented to the Joint Committee on Atomic Energy at hearings last week. Dr. C. L. Comar, head of the Department of Physical Biology at Cornell University and a member of the Food Protection Committee of the National Academy of Sciences, told the committee that the amounts of strontium 90 and calcium in the total diet determine the body burden of strontium 90. He pointed out that the strontium-calcium ratio of milk is one-tenth that of plant foods. Therefore, according to Dr. Comar, if

an individual reduced milk consumption to zero and derived all of his calcium from plant sources, the strontium-calcium ratio of his diet would be doubled. Conversely, if an individual derived all of his calcium from milk, his diet would have about one-fifth the typical strontium-calcium ratio. Dr. Comar went to great lengths to emphasize this point. He said, "Human beings and animals of all ages must have a certain amount of calcium in the diet to build new bones and teeth or to remodel and rebuild bones already formed. Calcium in the diet comes primarily from dairy products and plant foods, both of which contain strontium 90. The calcium from dairy products will most always have less strontium 90 than the calcium from plant foods because of discrimination by the cow. If the consumption of dairy produced is reduced without compensating additional minerals, the body has to use plant sources of calcium for building and replacement of bone. In effect, this means that reduction of the intake of dairy products will raise the strontium 90-calcium intake and therefore the body burden of strontium 90. At present and foreseeable levels of strontium 90 it appears best to follow accepted nutritional practice."

Later in a colloquy with Senator AIKEN, Republican, of Vermont, Dr. Comar again said that evidence would indicate that a person drinking more milk would develop a lower body burden of strontium 90. The Senator asked Dr. Comar why certain peace groups concentrate on the dangers of milk, when obviously it is the least of the offenders. Dr. Comar replied that he would like, in generosity, to think that it is because of misunderstanding. The scientist said that if it were proper to "strike" against strontium 90, then the "strike" should be against food in general. He said that milk was prominent because it was used as a measurement for strontium 90 levels. However, he said, "one has to understand that all foods contain *strontium* 90 and milk contributes the least in terms of body burden."

*Hearings illustrate magnitude of problem*

The hearings, which had as their objective the updating of information previously developed on fallout and radiation standards; identification and clarification of policy problems and organizational responsibilities associated with the establishment and administration of radiation standards and the risks involved in man-made radiation, have contributed importantly to the body of data on this vital subject. We would like to emphasize that the caliber of the witnesses and the nature of their papers testified eloquently to the vastness and the seriousness of this whole question of radiation and human exposure. It seemed to this reporter that there is no validity to "pushing the panic button" on the one hand, nor resenting the dissemination of sound factual data on the other. Because of the highly technical nature of much of the testimony, we will attempt to deal here only with those aspects of it which can be translated into practical terms for the dairy industry.

*Risk versus benefit*

Dr. Donald R. Chadwick, Chief of the Radiological Health Division at U.S. Public Health Service stated that, to date, there was no area where fallout has come to a point where USPHS has even thought about stopping milk consumption. He was asked how long USPHS would allow levels in range III of the radiation protection guides to go before taking steps to prevent the total intake from getting to a dangerously high annual average level. Dr. Chadwick answered that there were many factors involved in such a determination. First it would be appropriate to find out whether the high levels had every indication that they were only temporary. He said that if at any time there seemed to be a damaging burden in prospect, it would be the policy of PHS to make this known to the public and to take such control measures as the law allows. However, he emphasized that in such a determination there must be consideration of the risk involved versus the economic impact. Dr. Chadwick said that this is not entirely a health decision.

This philosophy of risk versus gain was also enunciated by Dr. Wright Langham of the Los Alamos Scientific Laboratory. Dr. Langham said that he enjoyed the privilege of appearing before a congressional committee in a democratic society such as ours and "to me this is worth a few strontium units in my milk." Dr. Langham was asked what was being done to find out how much strontium 90 will produce bone cancer. He said there were any number of animal experiments in this field but pointed out that it may never be possible to know how much it takes to produce bone cancer in a human. "All we can do," he said, "is to extrapolate the animal data to human data."

*Monitoring and surveillance*

Mr. James G. Terrill, Jr., Deputy Chief of the Radiological Health Division at PHS described in detail the monitoring and surveillance activities of his agency. He was asked what legal authority PHS had to stop the consumption of milk if fallout reaches a degree where it would be necessary. He answered that the agency has not yet come to that point. However, Mr. Terrill said that the way it would probably be done would be through State health or agricultural departments and for interstate activities he believed the Food and Drug Administration would have to act.

Among the surveillance activities described by Mr. Terrill was the institutional diet sampling program which is designed to secure an estimate of total dietary intake of radionuclides by a limited population. It consists of the sampling of diets in 20 boarding schools or institutions located throughout the United States. In this connection it is interesting to note that a later witness, Mr. Irving Michelson of the Consumers Union of the United States, testified that total diet studies have several shortcomings. He said that the present system of handling total diet samples requires longer collecting periods and more lengthy analytical procedures, thus making them not as useful as other types of sampling for the determination of short-lived isotopes. Also for these reasons, the determinations of long-lived isotopes require at present a minimum of 3 months, so that the present system cannot be said to furnish the information quickly. A third disadvantage, according to Mr. Michelson, is that total diet studies examine only composite sample, and, therefore, they do not identify individual highly contaminated foods and so cannot guide the use of countermeasures which might involve withholding some foods from the market.

Mr. Michelson summarized the conclusions of radioactivity studies to date. He said that the studies show that the strontium 90 level in the total diet decreased by 40 percent between the fall of 1959 and the spring of 1961. Also, there are large variations in levels of fallout in the total diet among different regions of the United States. Another showing from the various studies is that the ratio between strontium 90 levels in milk and in total diet varies from place to place and from time to time; from this it is concluded that milk is not a reliable index of the strontium 90 level in total diet in any one place, but it may furnish a fairly good index for the average level for the entire country.

*RPG's in question*

A most interesting statement was put into the hearing record by Dr. Gordon Dunning of the Atomic Energy Commission on the subject of the application of the radiation protection guides. Dr. Dunning said that these guides were intended to apply to normal peacetime operations only, and they do not, nor were they intended to, constitute precise health standards. Dr. Dunning said that the RPG should not be likened to a precipice such as is implied when we speak of environmental levels approaching the top of range II, as though this should call for drastic countermeasures, such as taking milk away from babies or disrupting dietary habits. He said that the health hazards from such actions could outweigh any potential radiation exposures. Dr. Dunning also stated: "Finally, and most importantly, the FRC guides were developed for, and should be applied only to, normal peacetime operations. This should be clarified at once, before there is further confusion and before there may be an ill-advised action taken by some regulatory body."

Mr. PROXMIRE. Mr. President, I also ask unanimous consent that an article by William L. Laurence, the distinguished science writer of the New York Times, discussing the concern about fallout and food, be printed at this point in the RECORD. Mr. Laurence's article appeared in the Times of June 24, 1962.

I wish to draw special attention to one paragraph of Mr. Laurence's article, in which he points out that the present U.S. program for monitoring fallout is not satisfactory. He writes:

The National Advisory Committee on Radiation * * * (appointed by the Surgeon General to advise the Public Health Service) criticized the U.S. program for monitoring fallout as inadequate, and recommended that the Public Health Service substantially increase its surveillance and control of radioactive contamination.

I was glad to note that, as Mr. Laurence reports:

Dr. Terry (the Surgeon General) endorsed the committee's recommendation that the Public Health Service expand its radiated surveillance activities and devote more research toward developing countermeasures that might be used if radiation does reach high levels.

I ask unanimous consent that Mr. Laurence's article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

FALLOUT CONCERN—POTENTIAL DAMAGE TO MAN FROM NUCLEAR TESTING IS EXAMINED

(By William L. Laurence)

The current series of nuclear tests by the United States in the Pacific has again focused attention on the potential danger of radioactive fallout. This danger was stressed last fall with the start of the Soviet test series, which alone accounted for almost 25 percent of the radiation from all nuclear testing up to that time.

Radiation is caused by fragments from split atoms. These fragments, known as fission products, descend on the soil as fallout. A number of these radioactive elements, such as strontium 90, cesium 137, carbon 14, and iodine 131, are absorbed by the plants eaten by food animals and are incorporated into the animal's flesh and milk.

These radioactive substances, if ingested by man in large enough doses may cause two kinds of damage—somatic and genetic. Somatic effects are injuries to the body as a whole, which may lead to leukemia (cancer of the white blood cells), bone cancer, and the shortening of life. Such damage is not transmitted by the individual to his offspring.

GENETIC DAMAGE

Genetic damage is inflicted by the exposure of the reproductive organs of the male or female to radiation. Such exposure, even in minute doses, is known to produce mutations, or changes, in the genes which transmit hereditary characteristics from parent to offspring. Such mutations, which are largely deleterious, may be carried from generation to generation for hundreds and thousands of years and cause a host of congenital abnormalities.

Strontium 90, which chemically resembles calcium, concentrates in bones and bone marrow, and therefore is implicated as a possible cause of bone cancer and leukemia. Iodine 131, which concentrates in the thyroid gland, may lead to cancer of that important organ. Cesium 137 and carbon 14, which may be incorporated in all tissues, are regarded as potential dangers to the genetic organs.

While these facts are universally agreed on by radiation authorities, the lack of definite knowledge about dosages has led to considerable controversy on certain points. It is universally agreed that any amount of exposure of the heredity-transmitting genes, no matter how small, will cause deleterious mutations. On the other hand, there is still considerable disagreement on the dosage required to produce somatic damage. Some hold there is a "threshold" below which no somatic damage will take place. Others hold that no such "threshold" exists, and that, furthermore, even if it did exist, no facts are available that establish the limit of this hypothetical borderline. Too, the amount of radiation man receives from his natural background is much greater than that from nuclear explosions. This radiation emanates from the soil, materials commonly used in construction and many other sources.

MIDWEST FALLOUT

A disturbing report came last week, when the Public Health Service disclosed that the amount of radiactive iodine created by fallout from U.S. tests in the Pacific is continuing at a high level in the milk in certain areas of the Midwest. In Minneapolis and Des Moines the radiation exposure to the thyroid of children has approached four-fifths of the level set in the radiation protection guide established by the Federal Radiation Council.

Both public officials and Presidential advisers emphasize that the iodine 131 level did not present an imminent danger.

Last Thursday the Public Health Service announced that preliminary reports showed substantial declines in radioactive iodine levels in milk in the first half of June. The reports covered 11 States in which iodine 131 levels in milk showed sharp decreases in May. But even the lower June levels were still relatively high in comparison with levels for March and April.

UNITED STATES CRITICIZED

At the same time, the National Advisory Committee on Radiation, composed of 14 scientific experts on radiation, criticized the U.S. program for monitoring fallout as inadequate, and recommended that the Public Health Service substantially increase its surveillance and control of radioactive contamination. The long-secret report made public this month, was presented to Surgeon General Luther L. Terry and declared that "important gaps" existed in the present surveillance network and that countermeasures to combat excessive radioactive contamination levels were "inadequately developed."

The committee urged that the health service's budget of $16 million for radiological health protection in the coming fiscal year be increased to $25 million. It also recommended that the budget grow in succeeding years until it reaches a level of $100 million in 1970. Dr. Terry endorsed the committee's recommendation that the Public Health Service expand its radiation surveillance activities and devote more research toward developing countermeasures that might be used if radiation doses reach high levels.

The only comprehensive survey of radioactive materials entering the American diet has been made in the last 3 years by the Consumers Union, with financial support from the Atomic Energy Commission and the Public Health Service. Irving Michelson, who headed the survey, in testimony this month before a subcommittee of the Joint Congressional Committee on Atomic Energy, charged that the radiation monitoring system had "serious deficiencies with respect to speed and effectiveness."

NOT AVAILABLE

As a result, he said, information about levels of radioactivity "is not available soon enough to take any protective action which may be warranted."

For example, he said, the total diet samples, which are especially useful for determining the amount of such materials as strontium 90 in food, "do not give us data until 3 or 4 months after the food has been eaten."

Mr. PROXMIRE. Mr. President, I also ask unanimous consent that an article by Nate Haseltine, science reporter for the Washington Post, entitled "Scientist Says Don't Stop, But Look and Learn as Fallout Mounts in Milk," be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

SCIENTIST SAYS DON'T STOP, BUT LOOK AND LEARN AS FALLOUT MOUNTS IN MILK

(By Nate Haseltine)

Constant radioactivity surveillance and continuing research are still the Nation's best protection against radioactive fallout hazards it was declared yesterday.

The watch-and-study view on unexpected rises in radioactive iodine in milk in some sectors of United States was presented to dairy scientists in scientific sessions at the University of Maryland.

"Drastic measures to control air, water, and foods of large population groups might hold more health risks to those populations than their benefits (radiation protection)," industry scientists were told by Dr. Simon Abraham, assistant chief of the research bureau, Division of Radiological Health, Public Health Service.

Dr. Abraham said that before counter measures, such as banning fresh milk from threatened areas, are instituted by health authorities the risks must be balanced against possible benefits.

"Any disruption of dietary patterns, particularly for infants and children," he declared, "might have more serious effects to their health than the harms from radioactive iodine in their milk.

"Vigilance is still our best protection," he declared, in what might be considered the official viewpoint of the U.S. Public Health Service.

The presentation to the American Dairy Science Association was prepared by Dr. Donald R. Chadwick, chief of the PHS Division of Radiological Health, but was presented in his stead by Dr. Abraham.

Areas most involved are Minneapolis, Des Moines and St. Louis, where radioactive iodine levels in milk have been moving toward so-called maximum permissible levels, where health authorities must decide whether action is needed.

In the Chadwick report it noted that radioactive iodine is the most easily controlled type of milk contamination. Because of its short half-life (8 days) contamination is reduced to a small fraction of its original value within 35 days.

This is considerably longer than fresh milk can be safely stored, but such contaminated milk could be processed into dry milk. Ordinarily there is a 2-month interval between processing of dry milk and distribution to the consumers.

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## REFUND TO THE STATES UNEXPENDED BALANCES OF TAXES COLLECTED UNDER THE TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION ACT OF 1961

Mr. BENNETT. Mr. President, I introduce, for appropriate reference, a bill to refund to the States unexpended balances of taxes collected under the temporary extended Unemployment Compensation Act of 1961.

The administration is proposing in H.R. 7640 to provide a permanent program for a 50-percent extension, at Federal expense, of the time of coverage for most unemployed claimants, and in periods of recession for all claimants. Since this bill is apparently dead, the administration is asking Congress instead to extend the 1961 law for 12 months and to pay for that extension by using the $184 million surplus, and also to levy an additional tax of 0.1 percent on wages paid in 1964. It is estimated that about 1.5 million State exhaustees would get some Federal benefits under this plan.

At the present time there is no sound basis for an extension. The TEC program was enacted to meet the needs of workers suffering unemployment because of the 1960 to 1961 recession. According to statements made by the administration itself, employment in general is improving. And the insured unemployment ratio in particular is showing marked improvement. According to reports of the Department of Labor, the insured unemployment ratio has dropped from 6 percent, a point it reached early in 1961, to less than 4 percent today, and is continuing each month to decline. The latest available figure—for May—shows 3.8 percent of covered workers unemployed.

A far more equitable way to handle the surplus created under the temporary program would be to allocate this money back to the States in proportion to the amount each State contributed to that surplus. The bill I am introducing would accomplish this. Thus the States would receive not only their share of the $184 million surplus, but would be spared a one-tenth of 1 percent tax on the 1964 payrolls. In the case of my own State of Utah, this would mean an expected refund of $1.9 million and a tax saving of $500,000, for a total of $2.4 million.

I ask unanimous consent to insert in the RECORD a table which presents estimates of the refunds each State might expect to receive if the temporary program is not extended and my bill is passed. This table also shows the added cost if the program is extended.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

*Cost of TEC extension*

REFUNDS STATES MIGHT RECEIVE IF TEC IS NOT EXTENDED, AND ADDED COST IF TEC IS EXTENDED

| State | Expected refund (1) | Tax at 0.1 percent (2) | Total (3) |
|---|---|---|---|
| Total | $184.0 | $125.0 | $309.0 |
| Alabama | 1.6 | 1.5 | 3.1 |
| Alaska | .2 | .2 | .4 |
| Arizona | 2.8 | .7 | 3.5 |
| Arkansas | 1.7 | .7 | 2.4 |
| California | 3.4 | 13.1 | 16.5 |
| Colorado | 4.4 | 1.0 | 5.4 |
| Connecticut | 1.0 | 2.3 | 3.3 |
| Delaware | .9 | .4 | 1.3 |
| District of Columbia | 3.1 | .7 | 3.8 |
| Florida | 8.0 | 3.1 | 11.1 |
| Georgia | 3.1 | 2.1 | 5.2 |
| Hawaii | 1.4 | .4 | 1.8 |
| Idaho | .8 | .3 | 1.1 |
| Illinois | 13.1 | 8.6 | 21.7 |
| Indiana | 6.2 | 3.5 | 9.7 |
| Iowa | 5.9 | 1.4 | 7.3 |
| Kansas | 3.6 | 1.1 | 4.7 |
| Kentucky | 0 | 1.3 | 1.3 |
| Louisiana | 1.5 | 1.6 | 3.1 |
| Maine | 2.5 | .6 | 3.1 |
| Maryland | 2.4 | 2.0 | 4.4 |
| Massachusetts | 4.6 | 4.3 | 8.9 |
| Michigan | 0 | 5.8 | 5.8 |
| Minnesota | 6.0 | 2.0 | 8.0 |
| Mississippi | 1.4 | .7 | 2.1 |
| Missouri | 9.6 | 3.0 | 12.6 |
| Montana | .7 | .3 | 1.0 |
| Nebraska | 3.1 | .7 | 3.8 |
| Nevada | .5 | .3 | .8 |
| New Hampshire | 1.9 | .4 | 2.3 |
| New Jersey | .6 | 5.0 | 5.6 |
| New Mexico | 1.7 | .5 | 2.2 |
| New York | 19.4 | 15.6 | 35.0 |
| North Carolina | 7.9 | 2.5 | 10.4 |
| North Dakota | .8 | .2 | 1.0 |
| Ohio | 0 | 7.8 | 7.8 |
| Oklahoma | 3.1 | 1.1 | 4.2 |
| Oregon | 2.3 | 1.2 | 3.5 |
| Pennsylvania | 0 | 8.8 | 8.8 |
| Puerto Rico | .1 | .4 | .5 |
| Rhode Island | .7 | .7 | 1.4 |
| South Carolina | 3.1 | 1.1 | 4.2 |
| South Dakota | 1.1 | .2 | 1.3 |
| Tennessee | 1.5 | 1.9 | 3.4 |
| Texas | 20.8 | 5.3 | 26.1 |
| Utah | 1.9 | .5 | 2.4 |
| Vermont | .6 | .2 | .8 |
| Virginia | 8.8 | 2.0 | 10.8 |
| Washington | 4.9 | 1.9 | 6.8 |
| West Virginia | 1.1 | 1.1 | 2.2 |
| Wisconsin | 7.5 | 2.7 | 10.2 |
| Wyoming | .6 | .2 | .8 |

Col. (1) is derived from Department of Labor estimates of the expected surplus or deficit based on TEC experience through December 1961 giving each State its proportionate share of the surplus.

Col. (2) is an estimate of added taxes which would be paid if the administration proposal to extend TEC were enacted.

Col. (3) is the sum of cols. (1) and (2), and represents the total cost to each State of extending TEC.

Mr. BENNETT. Mr. President, the real issue at hand is whether we want to continue the traditional pattern of State control of our unemployment insurance programs. If we continue the pattern set up in the TEC program of last year, Federal bureaucracy would eventually disrupt the State programs and would divert unemployment taxes imposed within each State to various other States and would correspondingly reduce State control over these programs. I think we should cut off this Federal grab for power here and now.

The VICE PRESIDENT. The bill will be received and appropriately referred.

The bill (S. 3473) relating to the refund to the States of any unexpended balance of taxes collected under the Temporary Extended Unemployment Compensation Act of 1961, introduced by Mr. BENNETT, was received, read twice by its title, and referred to the Committee on Finance.

## LUMP-SUM READJUSTMENT PAYMENTS FOR MEMBERS OF RESERVE COMPONENTS INVOLUNTARILY RELEASED FROM ACTIVE DUTY—AMENDMENT

Mr. CLARK. Mr. President, I submit an amendment to H.R. 8773, an act to amend section 265 of the Armed Forces Reserve Act of 1952, as amended (50 U.S.C. 1016), relating to lump-sum readjustment payments for members of the Reserve components who are involuntarily released from active duty, and for other purposes.

My amendment is a simple one, Mr. President. All it does is make June 30, 1962, the effective date of H.R. 8773 rather than the date of enactment. Its purpose is to make the provisions apply to several hundred reservists who are being involuntarily released from active duty on June 30 and who otherwise will not receive the benefits this bill intends they should have.

This bill was passed by the House in the first session of this Congress and has been on the Senate Calendar since September 20, 1961. It has not been considered until this time, I understand, because there was a possibility that other provisions relating to retirement of military personnel might be added to it. I further understand that possibility no longer holds and the bill is cleared for action. The bill is noncontroversial so far as I know and all it does is to grant military reservists who are involuntarily released the same readjustment allowance granted Regulars who are involuntarily separated. The bill will surely be approved by the Senate, but there just is not time to arrange the necessary conference and clear the bill for the President in time to cover several hundred reservists who are being involuntarily separated on June 30. I am certain the Congress and the administration have no wish to cause these reservists to lose an allowance they would receive if it had been possible under the press of current legislative business to clear this bill sooner and make it law.

I ask that my amendment may be printed.

The VICE PRESIDENT. Without objection, the amendment will be received, printed, and lie on the table.

## AMENDMENT OF SECTION 302 OF CAREER COMPENSATION ACT—AMENDMENT

Mrs. SMITH of Maine submitted an amendment, intended to be proposed by her, to the bill (H.R. 11221) to amend section 302 of the Career Compensation Act of 1949, as amended (37 U.S.C. 252), to increase the basic allowance for quarters of members of the uniformed services and to make permanent the Dependents Assistance Act of 1950, as amended (50 App. U.S.C. 2201 et seq.), and for other purposes, which was ordered to lie on the table and to be printed.

## EXTENSION OF EXISTING CORPORATE AND EXCISE TAX RATES—AMENDMENT

Mr. ERVIN submitted an amendment, intended to be proposed by him, to the bill (H.R. 11879) to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, and for other purposes, which was ordered to lie on the table and to be printed.

## AMENDMENT OF TITLE 3 OF THE SUGAR ACT OF 1948—ADDITIONAL COSPONSORS OF BILL

Under authority of the orders of the Senate of June 21 and 22, 1962, the names of Senators NEUBERGER, YOUNG of Ohio, GRUENING, FONG, HUMPHREY, BARTLETT, LONG of Hawaii, ENGLE, HICKEY, BURDICK, and WILLIAMS of New Jersey were added as additional cosponsors of the bill (S. 3457) to amend title 3 of the Sugar Act of 1948 to provide for the establishment of fair and reasonable minimum wage rates for workers employed on sugar farms, and for other purposes, introduced by Mr. MCCARTHY on June 21, 1962.

## NOTICE OF RESUMPTION OF HEARING ON NOMINATION OF THURGOOD MARSHALL, OF NEW YORK, TO BE U.S. CIRCUIT JUDGE, SECOND CIRCUIT

Mr. JOHNSTON. Mr. President, on behalf of the Committee on the Judiciary, I desire to give notice that public hearing will be resumed on Thursday, July 12, 1962, at 10:30 a.m., in room 2228, New Senate Office Building, on the nomination of Thurgood Marshall, of New York, to be U.S. circuit judge, second circuit.

At the indicated time and place persons interested in the hearing may make such representations as may be pertinent.

## MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed, without amendment, the following bills of the Senate:

S. 1834. An act to further amend the act of August 7, 1946 (60 Stat. 896), as amended, by providing for an increase in the authorization funds to be granted for the construction of hospital facilities in the District of Columbia; by extending the time in which grants may be made; and for other purposes;

S. 3063. An act to incorporate the Metropolitan Police Relief Association of the District of Columbia;

S. 3291. An act to amend section 14(b) of the Federal Reserve Act, as amended, to extend for 2 years the authority of Federal Reserve banks to purchase U.S. obligations directly from the Treasury; and

S. 3350. An act to amend the act of August 7, 1946, relating to the District of Columbia Hospital Center to extend the time during which appropriations may be made for the purposes of that act.

The message also announced that the House had disagreed to the amendment of the Senate to the bill (H.R. 11131) to

authorize certain construction at military installations, and for other purposes; asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. VINSON, Mr. RIVERS of South Carolina, Mr. PHILBIN, Mr. HÉBERT, Mr. WINSTEAD, Mr. ARENDS, Mr. GAVIN, Mr. NORBLAD, and Mr. VAN ZANDT were appointed managers on the part of the House at the conference.

## ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE RECORD

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the RECORD, as follows:

By Mr. WILEY:

Excerpts from address prepared for delivery by himself over Wisconsin radio stations on June 23, 1962, dealing with the school-lunch program.

Excerpts from address prepared for delivery by himself at the American Legion picnic at Little Chute, Wis., on June 24, 1962, dealing with the major challenges confronting the Nation.

## THE DEATH OF FRANCIS CASE

Mr. SYMINGTON. Mr. President, 16 years ago as Assistant Secretary of War I started presenting defense budgets to the Military Appropriations Subcommittee of the House Appropriations Committee.

At that time it was my privilege to come to know the late junior Senator from South Dakota, who in 1950 joined this body.

Over the years our friendship ripened. It could not have done otherwise because, with his sterling character, his passion for the truth, and his rugged endurance in debates on those issues when he felt principle was involved, Francis Case was a true friend, warmhearted and kind even in disagreement, to the point that it could not have been possible but to develop great affection for him, along with deep respect.

This country mourns a great American patriot. Mrs. Symington and I send his gracious wife and daughter deepest sympathy. Their loss is also a loss to all those who believe in the heritage and traditions of the United States.

## SECRECY IN STOCKPILE LOSSES

Mr. SYMINGTON. Mr. President, in the New York Times of Sunday, June 24, Joseph A. Loftus wrote an article entitled "Secrecy Blamed in Stockpile Losses."

This news story puts one of the two major objectives of the present investigation in at least as clear perspective as any article written on the subject.

The last paragraph notes that if this Government business had been conducted in the open, public and political forces would have been able to insist on a change of course.

That is only too true.

I ask unanimous consent that the Loftus article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

SECRECY BLAMED IN STOCKPILE LOSSES

(By Joseph A. Loftus)

WASHINGTON, June 23.—Secrecy in Government stockpile purchasing has cost the taxpayers hundreds of millions of dollars, the Senate's chief investigator of that program said today.

Senator STUART SYMINGTON, Democrat, of Missouri, drew the conclusion from this week's hearings on the Government's program for lead and zinc.

"The scope of the problem would be nothing like this if the information had been declassified," the chairman of the Armed Services Subcommittee on Stockpiling said.

By the scope of the problem he meant the "actual and potential losses" shown in the lead and zinc stockpiling. The losses, because of great stocks and fallen prices, exceed $200,000,000.

Both metals are vastly overstocked, measured by the objectives set in 1958. The big lead- and zinc-buying program took place in the 4 years preceding 1958. Stockpile objectives for all materials were higher then, but special criteria were devised to justify buying of lead and zinc and the public was not told about them.

President Kennedy several months ago ordered the secret and confidential classifications removed from most stockpile files and the information is now coming out in the Symington hearings.

INFORMATION CURBED

When the Eisenhower administration embarked on new long-term stockpiling for metals in 1954, a limited amount of information was given to the public. The decision to withhold data on actual supplies, requirements, and inventory objectives for critical metals raised no significant protest at the time, presumably because many persons accepted the need for secrecy where military planning was concerned.

The withholding of information went beyond that. News releases issued by the Eisenhower administration spoke of the need to broaden the mobilization base, reactivate mining capacity, and aid depressed metals industries.

Nothing was said, however, of the extraordinary objectives for lead and zinc, that higher price targets had been set for these metals by a former industry executive who had joined the administration, that these targets later were elevated, and that a few big lead and zinc companies would get all the Government business.

For example, a secret memorandum addressed to Arthur S. Flemming, Director of the Office of Defense Mobilization, dated June 24, 1954, and signed by E. H. Weaver, Assistant Director for Materials in agency, said:

"The proposed purchase would not help to alleviate the situation of most of the small domestic mines that are closed down at the present time, for many of these properties are in the hands of small firms that have gone bankrupt."

WARNING ON CRITICISM

"Political critics of the proposed purchase might charge that businessmen in the Government 'bailed out' big business firms since it is the large firms, currently operating at a profit and paying dividends, that would receive the most immediate and substantial benefits. These large firms, of course, constitute the bulk of our domestic mobilization base."

The administration proceeded with the program and these large companies received the benefits. St. Joseph Lead Co. received 43 percent of the Government's lead business in those 4 years, plus a share of the zinc business. The Government paid to St. Joseph Lead $53,980,000. Only 3 other companies shared in the lead business and only 11 others in the zinc business.

In the early part of this period, when the program was getting underway, the suggestions on price targets and stockpile objectives were being made by Felix E. Wormser, who had left St. Joseph Lead to become Assistant Secretary of the Interior for Mineral Resources. He later returned to his company post. He testified this week that when he left the company in 1953 he had sold his stock and had had no intention of returning. The committee dropped the matter.

SOME OFFICIALS DISTURBED

Some officials in the Eisenhower administration were privately disturbed about the minerals program. Joseph M. Dodge, then Director of the Budget, said in a letter to Mr. Flemming on April 14, 1954, that "press interpretations of the new stockpile policy are giving us concern."

Mr. Dodge urged use of the barter program—trading surplus crops to foreign countries for their lead and zinc and thereby holding down expenditures, and declared:

"To do otherwise could lead to the creation of a stockpile of materials which would be comparable to the situation confronting us in the field of agriculture.

"Already the public interpretation of this program tends toward that of a new policy of 'price supports' for the mining industry and away from that of defense requirements'."

The administration had trouble giving help to the domestic lead and zinc industries when it found that the "long-term" objectives for metals generally were inadequate for this goal.

In the "secret" letter, Mr. Weaver told Mr. Flemming that "it will be very difficult, under present assumptions, to develop estimates of long-term objectives for these two materials that will be larger than present minimum objectives, since most of the U.S. supplies come from the United States of America, Canada, and Mexico—all of which are accessible countries under the 'long-term' stockpile concept."

In other words, since it was not necessary to cross an ocean to get lead and zinc, these commodities had a low critical rating and therefore stockpile needs had already been met.

Officials then devised a new stockpile concept for lead and zinc—the equivalent of 1 normal year's U.S. consumption. A witness this week, William N. Lawrence of the Office of Emergency Planning, said this concept bore no relationship to the mobilization base.

Even this addition to the guidelines for buying lead and zinc proved unsatisfactory to whoever was pushing for more and more buying. And so the "normal year's use" was given several different interpretations to provide a paper justification for more buying.

CABINET DISAGREEMENT

None of this was made public. Nor was it disclosed that Secretary of State John Foster Dulles and Secretary of the Treasury George M. Humphrey were drawn into a peripheral disagreement. Foreign lead and zinc, attracted by the higher price generated by the Government's noncompetitive buying, took advantage of the artificial market.

To curb the imports, the Tariff Commission recommended use of the "escape" clause in the Reciprocal Trade Act. This would have permitted President Eisenhower to raise the distress flag and levy a tariff of 1½ cents a pound on imports.

Secretary Humphrey argued for this. Secretary Dulles argued that grave international repercussions would follow. Mr. Dulles persuaded the President to reject the Tariff Commission's recommendations; President Eisenhower's decision was, of course, made

public. The imports continued and, in a measure, diluted the effect of the program to support the domestic industry.

Senator SYMINGTON's point is that if Government business had been conducted in the open, public and political forces would have been able to insist on a change of course.

## THE GROWING PROBLEM OF THE RELATIONSHIP OF THE UNITED STATES WITH THE PRESENT LEADERS OF INDIA

Mr. SYMINGTON. Mr. President, as my colleagues know, after an extensive visit last fall to the Middle East and south Asia, I became skeptical about some of the characteristics of the relationship between this country and India.

In this connection, I ask unanimous consent that an editorial from this morning's New York Times, entitled "Mr. Nehru's Double Standard," be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

MR. NEHRU'S DOUBLE STANDARD

By rejecting the latest United Nations effort to promote a settlement of the Kashmir dispute, India has passed up another opportunity to heal what has become a bleeding sore in her relations with Pakistan.

The Security Council resolution that India found objectionable could scarcely have been more mild. Introduced by Ireland and supported—as it deserved to be—by the United States, it simply reminded both India and Pakistan of past Security Council resolutions calling for a plebiscite in Kashmir—a proposal accepted at the time by India—and asked for talks between the two countries. But India does not want to be reminded of her past commitments to a plebiscite. She is only willing to have talks on a basis that rejects a plebiscite and, in effect, asks Pakistan to accept the status quo. So a Soviet veto in India's behalf has killed the resolution.

U.S. support of the resolution has caused Prime Minister Nehru to complain vehemently and to question American good will toward India. The fundamental good will in this country toward India is probably no less widespread now than before. But, clearly, there has been disapproval and disappointment at some of the actions India has taken recently, notably her resort to aggression in Goa and her refusal to reach a Kashmir settlement. In both these cases India has damaged her image in this country and at the same time weakened the peacekeeping and dispute-settling capacity of the United Nations.

India would do well to look to the example of an Asian neighbor, Thailand, whose Government, despite a feeling of bitterness and injustice, has acted like a good world citizen in accepting an adverse World Court decision in a territorial dispute with Cambodia. The Court awarded to Cambodia an enclave on the Thai-Cambodian border that Thailand has regarded as hers for half a century and has occupied for the last 8 years.

India has long pronounced moral judgments on the rest of the world. She is not justified now in resenting judgments of herself on the basis of standards she has long used to judge others. Good will, after all, is a two-way street.

Mr. SYMINGTON. Mr. President, I also ask unanimous consent to have printed in the RECORD an editorial published in the New York Tribune entitled "India Hides Behind Russia's Veto."

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

INDIA HIDES BEHIND RUSSIA'S VETO

India, which justly complains of Communist China's inroads into its territory, unjustly refuses an equitable settlement of Pakistan's protests against its seizure of two-thirds of Kashmir. Prime Minister Nehru and his troubleshooting emissary, Krishna Menon, are great sticklers for legality—when it suits their purposes.

Holding the greater part of Kashmir by might rather than by right, India has now become a party to a legalistic maneuver to thwart the wishes of the majority of U.N. members and to continue its defiance of two previous resolutions by the Security Council. These directed both parties to resolve the dispute by permitting the Kashmiris to choose between them. Self-determination, as expressed by a plebiscite, is approved by India for others, but not for itself.

The maneuver was to rely on the Soviet Union to cast its veto, if necessary, to kill a new Security Council resolution renewing the call for a solution by plebiscite. Seven of the eleven members of the Council supported the resolution, advanced by Ireland.

The veto became necessary and Russia, which shares the view that justice and principle should not interfere with one's possessions, however acquired, did not hesitate to cast it, motivated by its aim to play power politics with India against Communist China on the one hand and the United States on the other. India now enjoys the unenviable distinction of having inspired Russia to raise the number of its obstructionist vetoes to the century mark.

Krishna Menon may deceive himself and Mr. Nehru into believing they again have scored a victory at the United Nations. But the Kashmir issue, though killed for the time being in the U.N. is hardly over. Pakistan is toying with the idea of flirting with Communst China to offset India's flirtation with Russia. And Communist China, as India has learned to its sorrow, does not feel bound by the U.N. or by respect for anyone else's frontiers.

## PRESIDENT EISENHOWER SHOULD TELL THE NATION WHERE TO REDUCE DEFENSE SPENDING

Mr. SYMINGTON. Mr. President, in an address last Friday evening, former President Eisenhower is reported to have said:

Here I must record my personal belief that substantial amounts in our current defense budget reflect unjustified fears, plus a reluctance in some quarters to relinquish outmoded concepts.

The former President is then reported to have said:

Accordingly, I personally believe—with I am very sure very little company in either party—that the defense budget should be substantially reduced.

It would appear very important to me that the former President should tell us, promptly, where he believes these reductions in the military budget can be made.

As to "unjustified fears," perhaps he could also furnish details about that.

The former President knows of the problems incident to the Formosa Straits, the Korean truce, the Lao and South Vietnamese tensions. Of all people also he knows of the tensions incident to the problems of West Berlin, and the relationship of those problems to West Germany and the North Atlantic Treaty Organization.

It is logical, therefore, for us to ask for the prompt benefit of his thoughts in these matters—and we will be looking forward to hearing from him.

## FHA BACKS OBJECTIVE OF GRUENING BILL TO GIVE MEANING TO WORDS "FHA-INSURED"

Mr. GRUENING. Mr. President, I ask unanimous consent to have printed in the CONGRESSIONAL RECORD a story by William Stief in today's Washington News entitled "Hardy Backs New FHA Policy" commenting on the favorable response to the objective sought in the bill (S. 3460) I introduced last Thursday to make meaningful the term "'FHA Insured." Mr. Neal Hardy, the Federal Housing Commissioner, is to be congratulated upon his prompt response to the suggestions contained in my bill, which is now at the desk awaiting additional cosponsors. It will remain at the desk until the close of business Friday.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington, D.C., Daily News, June 25, 1962]

HARDY BACKS NEW FHA POLICY

(By William Stief)

Federal Housing Commissioner Neal J. Hardy today indorsed a proposed FHA policy change calling for the Government to accept some responsibility when buyers of FHA-insured homes are stuck with shoddy construction.

The proposed change results from 50 Alaska families' complaints that they were bilked in buying FHA-insured homes.

Until now FHA has insured only the mortgages of homes, staying out of insuring the homes and officially letting home buyers and sellers fight it out if the buyers don't think the homes come up to specifications.

REQUEST

Because of this year's experience outside Anchorage, Alaska, Mr. Hardy wants FHA authorization to:

Force contractors to bring homes up to adequate standards.

Use FHA money to bring homes up to standard if the contractors fail to live up to their agreements.

Mr. Hardy indorsed "the large idea" of a bill introduced to these ends by Senator ERNEST GRUENING, Democrat of Alaska. The FHA boss disagreed on some details of Senator GRUENING's bill, introduced Thursday, and said he is "studying its administrative feasibility." But he admitted original FHA error in insuring the $24,000 to $26,000 prefab homes, produced at Carlisle, Ind.

Senator GRUENING first started to hear from constituents at Eagle River, Alaska, just outside Anchorage and near two big Air Force bases, last winter.

SUBSTANCE

The substance of their complaints was that in Alaska's 30-below-zero weather their homes:

Lost heat through the roofs.

Ice formed on living room and bedroom walls.

Cabinets, floors, and walls were cracked and warped badly.

The contractor, Modern Homes, Inc., a subsidiary of Centex Construction Co., owned by Clint and John Murchison, was not making good on its 1-year warranty.

FHA said it sent an investigation team to Alaska and confirmed Senator GRUENING's information. A report now is being made to Robert Weaver, chief of the Housing and Home Finance Agency. On the basis of the report, Mr. Weaver either will support Senator GRUENING's bill with slight amendments or draft a separate bill embodying ideas in Senator GRUENING's bill.

## FOR A BETTER COMMUNICATIONS SATELLITE SYSTEM BILL

Mr. GRUENING. Mr. President, in connection with the current debate on the communications satellite system, those of us who have urged substantial modification of the pending bill and strongly believe that before action is taken it should be thoroughly reconsidered, amended, or replaced by a substitute bill, and in any event recommitted to the Foreign Relations Committee, are gratified by the public response to our position.

I ask unanimous consent that two sample letters I have received approving this stand be printed at this point in my remarks.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

LOS ANGELES, CALIF.,
*June 19, 1962.*

Hon. ERNEST GRUENING,
*Senate Office Building,*
*Washington, D.C.*

DEAR SENATOR GRUENING: As an average American citizen, I wish to express to you my thanks for your having been one of the seven Senators who are presenting a substitute Senate bill to establish a publicly owned Communications Satellite Authority, thus saving to the American people as a whole their $25 billion investment in space research instead of turning over that investment to a commercial communications satellite system to be owned and managed by a private corporation and operated for private profit as was done blindly by the House of Representatives a few days ago by a vote of 354 to 9. Such disregard of the interests and rights of the average American citizen is incredible. I am asking California's two Senators to support your bill in every way they can.

Sincerely yours,

E. J. SPENCER.

LONG ISLAND CITY, N.Y.,
*June 22, 1962.*

DEAR SENATOR GRUENING: Thank you for pressing the fight against the giveway of billions of taxpayer money to A.T. & T. The vote in the House on the satellite communications bill indicates the Members never gave it a second thought. I hope that you and the few who now stand with you will be able to make the Senate see what is afoot.

This certainly is the biggest attempted steal in history.

I have followed your career since at least your days on The Nation, and I know you will find the will and the energy to emulate the great Senator George W. Norris in his long struggle for the TVA. If you can finally show the people what is at stake, the battle is won.

With renewed assurances of my highest personal consideration, I am, sir,

Yours truly,

EMMETT SWISSHELM.

## FOR THE RELIEF OF ALASKA HOMESTEADERS FROM BUREAUCRATIC BUNGLING

Mr. GRUENING. Mr. President, in 1959, I introduced a bill, S. 1670, to provide relief for certain homesteaders in Alaska. Their difficulties arose when the classification of their homesteads was arbitrarily changed from land not potentially valuable for gas and oil.

This change in classification was made by the U.S. Geological Survey.

It was made stealthily.

No one was given notice of the proposed change.

The homesteaders who were to be affected by it—drastically affected, I might say—were given no warning that such a move was to be made. Actually, they were not told about it until months later.

The Bureau of Land Management was not informed of this change. A copy of this change in homestead land classification was not even sent to Alaska. It was kept here in Washington labeled: "Not for Public Inspection."

The curious part of this change, Mr. President, was that the U.S. Geological Survey, when it made the change, based its action on information that had been available to it for years and years.

The Geological Survey decided that thenceforth all sedimentary lands in the United States should be classified as potentially valuable for gas and oil.

Had any new facts been brought to light concerning sedimentary lands? Had any new scientific discovery been made which caused the Geological Survey to change its opinion and come to the conclusion that the same lands which on the same facts it had considered not valuable for gas and oil the day before, had suddenly become potentially valuable for this purpose?

There had been no change in facts. The Geological Survey simply changed its mind. But that change caused many homesteaders in Alaska many a heartbreak.

The vast majority of these homesteaders were veterans.

During World War II, in anticipation of the entry into the United States of war refugees, the Department of the Interior had withdrawn certain lands in Alaska which the Department of Agriculture, after careful study, had determined were suitable for agriculture. However that project of opening these lands to refugees was abandoned and it was decided instead to open these lands to veterans for homesteading.

Homesteading in Alaska is not the same pursuit it was in the Great Plains States in the western homesteading days beginning a century ago. Homesteading in Alaska is much more difficult since the land must first be cleared of dense covering of trees. At the time the land on the Kenai Peninsula was opened to homesteaders heavy equipment was almost completely unavailable in the then Territory. Clearing the land of trees was a slow, backbreaking task.

In addition, the veterans who took up homesteading on the Kenai Peninsula had to brave the cold and snow of the long winters.

Some idea of the hardships encountered can be gathered from the account given to a Senate subcommittee during the course of hearings I conducted in Anchorage late in 1959. This is one homesteader's experience. I ask unanimous consent that excerpts from the testimony by Mr. William Gibbs before a subcommittee of the Committee on Interior and Insular Affairs be printed in the CONGRESSIONAL RECORD.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

I am William E. Gibbs, a homesteader and resident of the Kenai Peninsula, Alaska.

I entered the U.S. Navy Reserve in 1942 from California. I spent over 3 years in the Pacific theater of war in the Seabees. My outfit was attached to the 3d Amphibious Marines. I worked with a sapper and demolition crew and have experienced combat. I was honorably discharged in November of 1945 in California.

At this time I returned to work for Macco Corp. as a general construction foreman. In 1950 I went with Los Angeles County as an engineering inspector. I was still with them at the time I left California to come to Alaska.

My grandfathers and my father were homesteaders and farmers in New Mexico, Texas, and Arizona Territory. I have two brothers who are successful farmers in the San Joaquin Valley in California, and believe me, they kept me busy when I was younger. So I am not without knowledge of what is involved in farming and homesteading.

Because of time limitations of this hearing, it would not be possible for all homesteaders to appear. I am here to represent others with similar situations by presenting my case and some of the problems involved in the process of proving up on a homestead.

After gathering information for 2 years on homesteading in Alaska from the Department of Interior, the Anchorage BLM, the University of Alaska, and various soil conservation agencies, we decided to come to Alaska and homestead under my veteran's rights of World War II. The Anchorage BLM sent me information to the effect that there had been a land closure on the Kenai Peninsula for study and classification, and that there was very little land open along the then existing roads, but there was still land back away from the highway open and that it was class 2, which was the best classification one could get in Alaska. They assured me that I could still homestead under veteran's rights programs, which consisted of building a habitable residence and living on the land 7 months to prove up. Meeting these requirements, I would receive full title to my homestead.

My wife and I, having four children, the oldest being 10 years old, decided to buy a house trailer and bring it with us in order to be able to care for the children properly. We paid $4,500 for the trailer. We bought a 1-ton, heavy-duty Ford truck, the minimum allowed by Canada to pull our type trailer through Canada over the highway. Rebuilt, the truck cost $1,550. To bring my family, the truck and trailer and a station wagon to Kenai cost $783.

On this trip and while in Fairbanks, we went through the experimental farm at the university. I was especially interested in the hay and grains. The professor in charge of this section took us through their fields, explaining varieties and their hardiness to the Alaskan climate. In the course of our conversation, I told him why I was in Alaska and asked for his opinion on what would be the best area in which to settle. He told me that he felt the area between the Kenai and the Kasilof Rivers and the Sterling

Highway and the beach was the best potential farmland in Alaska, that it held the largest concentrated area of class 2 land on the peninsula. Also, the mildest climate and a very good potential for future hydroelectric power.

We came to Anchorage and on down the peninsula where we went into the different areas. From firsthand observation and from talking to people who had homesteaded in the area, I came to the conclusion that the professor knew what he was talking about. We went back to Anchorage, to the BLM, and tried to file on the land and were told that it was withdrawn from all entry and could not be filed on. At this time they showed us on the maps some land in the Moose River area and the Clam Gulch area that was open to entry. They also told us that they expected the area we were interested in to be opened in the near future. After checking the other areas again, and deciding they did not suit my purposes for farming, and having thus far invested a total of $6,655 on the homestead venture, we decided to settle at Soldotna, and wait out the land opening. This was in the summer of 1953.

After intensive soil studies made by the Soil Conservation Service, Public Land Order 1212 opened to homestead entry the area south of the Kenai River in which I was interested. The land opening was September 9, 1955, for group settlement, veteran 90-day preference. Approximately 9,000 selective units, was set up by the BLM as shown on this map. [Not printed in RECORD.]

Now, I want to point out that there were no roads in this area. As you can see here, the Sterling Highway comes through here, and this is the Y, the junction that goes into Kenai and around to the harbor. Now, this area is inaccessible. They set it up in an inaccessible area without roads. Now, the people in the area had a petition up, they started in 1948 trying to get a road in this area and, of course, we were in notice later and pushed it, and finally in the spring of 1959 we have a road which is in there this year. They started in 1959, and it is complete, goes down here and around and on down the beach here.

I filed October 12, 1955, entry allowed. In other words, the drawing was October 17, 1955, and the entry was allowed October 18, 1955.

My final proof was submitted by mail the 27th day of July 1957, arrived in the Anchorage Land Office and was stamped July 31, 1957.

I chartered a plane and flew over the area, then hired a boat and my wife and I went down the Kenai River to walk over the area in order to choose the plot I wished to file upon. I decided on unit 49, which was high, relatively level land with considerable timber. The drawing was October 17, 1955, and my notice of allowance is dated October 18, 1955, Anchorage serial No. 051363.

Because of the heavy snow of 1955 and 1956 and the children being in school in Kenai, we requested and received an extension of time to move on the land.

In April of 1956, Morris Coursen walked a D7 "cat" 7 miles in from the Sterling Highway, making a trail to Grant Phillips' homestead, which is 2 miles west of my homestead. Phillips moved his family in at the same time and had Morris clear his land. Incidentally, this was the only "cat" available in the area.

Now, in the course of moving this family in there, this was in the spring shortly before breakup, because actually that is the best time to clear the land in order to save the topsoil. In going into that area there, LeCocq Creek, which has to be crossed, and the only way you could get across that was take a "cat," shove timber, and dirt, and stuff in there until you could build it up enough to walk, say, a "six by," or an all-wheel drive vehicle through, and have the "cat" stand by to pull it in case it got stuck. And the morning that we moved Grant Phillips and them in, they were just a little bit late getting down there and the breakup had already started and it was washing out. We had to cross over, Morris and Grant did, and go down and bring the "cat" back about 3½ miles and rebuild it again in order to get across. So after they got across, why, that killed that part of it until later. There was no means of getting in and out except a walk or come in and out by boat.

My family and I took our house trailer over the "cat" trail to the homestead and established residence August 2, 1956. But due to the condition of the "cat" trail to the homestead, we built a boat to use for transportation and to haul supplies. I don't know whether any of you have built a boat or not, but there is quite a bit of work in it, quite a bit of money involved.

My wife taught three of the children the Calvert Course, furnished by the Territory, since the children could not possibly go to school in Kenai. When I was at King Salmon working, my wife would ski to Soldotna once a week for mail and supplies. The family had completed out 7 months residence by March 3, 1957.

Now, in order to ski out to get to the post office to pick up these supplies at that particular time, my wife had to climb down a bank about 75 feet high onto the river and ski down the river about a mile and a half on the ice, and come out at Big Eddy and go a quarter of a mile out to the road and then ski down the road about another mile and a half to Soldotna to get to the post office, and then back in the same way. So I give her full credit for what she has done.

As soon as I could get on the land in June 1957, I cultivated my cleared fields by using a D7 "cat" and a big disk. I went over the fields three times and had the land in good condition for seeding. At that time, too, in order to get a "cat" in there, I took a D7 back there and I dropped it to the belly in frozen pockets four times. It took me quite a while to get them out. And as you can see here, we have pictures showing the land in the raw process shortly after the clearing and then how it is when you go over it.

Now, I spent a month on this with equipment. That is on just that part of it, just that phase of it. And it shows the steps as you go through, how the land looks to start with and then as you break it and then the clearing and then seeded and then with the grain up.

Contrary to other areas, the soil on my homestead is at least 3 feet deep, but it is the top 6 inches that is fertile. And Gene Smith pointed out, you have to be very careful in order to preserve that part of it, which makes it a harder job to prove up. I had completed all requirements by July 4, 1957.

Mr. GRUENING. That, Mr. President, should give some idea of the hardships of homesteading in Alaska.

However, after an investment of thousands of dollars and hardship in clearing the land, erecting a residence, and cultivating and seeding the land, these pioneer homesteaders woke up one morning to find that their lands had been reclassified and if they wanted a patent on the lands they would be required to waive their mineral rights.

Many of the homesteaders were understandably confused.

First, they were told by the Bureau of Land Management that because of the change in classification of their lands by the Geological Survey they had no oil and gas rights.

In almost the same breath they were told by the Bureau of Land Management that if they wanted their patents they would have to waive oil and gas rights which the Bureau of Land Management had told them they did not have in the first place.

The same situation was also taking place in the Matanuska Valley where another group of brave homesteaders were industriously clearing their land and trying to carve a niche for themselves and their families on the last frontier.

I have previously recounted on this floor my efforts to save the mineral rights of these homesteaders in the face of tremendous opposition.

These homesteaders were not seeking oil and gas rights. They had come to settle and make Alaska their home. But at the same time they did not want a Federal agency 5,000 miles away taking away something that belonged to them.

In the closing days of the 86th Congress, my bill was passed in greatly curtailed form giving some of the homesteaders on the Kenai Peninsula their oil and gas rights.

However, my investigations of how these homesteaders were treated convinced me that a drastic revision was needed in the procedures of the Buerau of Land Management and of the Geological Survey to safeguard the men and women affected by the actions of those Bureaus from arbitrary and capricious action.

The small sheepherder denied a grazing permit in Montana or Oregon or Idaho just cannot afford to come to Washington, hire a lawyer and carry his case up to the Secretary of the Interior. As a matter of fact his traveling to Washington might not do any good. He is not given a right—either by law or regulations—to a hearing before the Secretary or anything in that Department. He cannot plead his own case. He cannot cross-examine to bring out all the facts.

Earlier in this session, therefore, I introduced a bill, S. 3107, cosponsored by Senators CHAVEZ, MORSE, DWORSHAK, BENNETT, CANNON, MCGEE, LONG of Hawaii, NEUBERGER, MOSS, BARTLETT, HICKEY, BIBLE, and CHURCH.

This is really a simple bill.

It would establish in the Department of the Interior a Board of Public Land Appeals affording appellants from decisions of the Bureau of Land Management or the Geological Survey an opportunity for a fair hearing before an impartial hearing examiner selected by the Board. Or even a hearing before the Board itself. The hearing would be held in locations convenient to the appellant and close to where the land in question was located.

I have sent copies of my bill to many persons throughout the country versed in public land matters and have asked them for their suggestions.

I am pleased that the responses I have received have been universally favorable to the approach taken. Some modifications in procedure have been suggested by some.

I ask unanimous consent to have printed in the CONGRESSIONAL RECORD a

letter of inquiry by me to the Secretary of the Interior, and a copy of a letter sent by me to individuals throughout the country asking for comments on S. 3107, and excerpts from comments received.

There being no objection, the letters and excerpts were ordered to be printed in the RECORD, as follows:

DEAR ——— ———: I am enclosing a copy of S. 3107 which I introduced to establish in the Office of the Secretary of the Department of the Interior a Board of Public Lands Appeals to hear appeals from decisions by the Bureau of Land Management and the Geological Survey. I am also sending you a copy of my remarks at the time I introduced this bill.

I would greatly appreciate receiving your comments and suggestions on this proposed legislation. I am especially anxious to obtain examples of specific situations in your dealings with the Bureau of Land Management which could have been handled more equitably.

There is also enclosed a copy of my letter to Secretary of the Interior Udall requesting suspension of proposed changes in the already meager safeguards afforded appellants.

With all best wishes, I am,

Cordially yours,

ERNEST GRUENING,
*U.S. Senator.*

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U.S. SENATE,
*Washington, D.C., April 11, 1962.*

Hon. STEWART UDALL,
*Secretary of the Interior, Department of the Interior, Washington, D.C.*

DEAR MR. SECRETARY: It has come to my attention that proposals are now being considered by the Department of the Interior under which safeguards for appellants from decisions of the Bureau of Land Management would be greatly weakened.

I understand that it is proposed:

1. To abolish the right of appeal to the Secretary from decisions of the Director to substitute a procedure for review of Director's decisions by the Secretary as a discretionary matter. This would be similar to the certiorari procedure in the U.S. Supreme Court;

2. To limit the review of cases and to increase the use of memorandum decisions, placing, in effect, the burden on the appellant to prove his case and limiting review to the errors asserted by the appellant.

These proposals concern me greatly in view of the numerous cases which have come to my attention in which it has seemed to me that those appealing from Bureau of Land Management decisions have not been accorded the consideration to which they should be entitled.

As you know, in order to correct this situation, I have introduced a bill, S. 3107, to establish a Public Lands Appeals Board in the Department of the Interior, granting to those who would appeal from a decision of the Bureau of Land Management or the Geological Survey the right to an opportunity to appeal to this newly established Board.

Ten other Senators have joined me as cosponsors in this measure.

I trust that you will take no steps to weaken the present inadequate safeguards involved in appeals from decisions by the Bureau of Land Management until there has been a full opportunity for the Congress to act.

With best wishes, I remain,

Cordially yours,

ERNEST GRUENING,
*U.S. Senator.*

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Section 8 of the bill, providing a method to eliminate injustices where strict compliance with the regulation would be harsh, will reduce some of the rigidity in the regulations. This rigidity is a basic cause of inequities arising in Bureau of Land Management operations. The personnel in the Bureau have been very cooperative and understanding in their dealings with the petroleum industry; however, rigidity in the regulations has limited their discretion to deal equitably.

I approve your proposal to create a Board of Public Lands Appeals. I would, however, like to see a regional or area appeal system, whereby the appeal from a district Bureau of Land Management decision would be made to an area office before any appeal is made to the Director's office, and then to the Solicitor's office. Under such a setup, perhaps the Solicitor's office and the Board of Public Lands Appeals should be combined. Such a setup might reduce a number of the cases now being appealed to Washington.

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ANCHORAGE, ALASKA,
*April 24, 1962.*

We have examined the material which you have forwarded to us and I personally believe that the bill as introduced, at least the idea contained therein; namely, of establishing a Board of Public Land Appeals in the office of the Secretary, is an excellent idea and would be of great assistance to people in Alaska, and particularly it would have been of great assistance to the two specific examples which I will discuss herein below.

At the outset, you should of course understand, with regard to the matters above referred to, we represented a party in each case and accordingly you will understand that our observations may perhaps be slanted. We will attempt throughout to maintain a sense of objectivity, but we do not wish to fly under false colors.

First, with regard to the application of Mr. James E. Allen, which is a noncontested matter except so far as the position of the Government is concerned. This matter is pending, as we understand, before the Secretary of the Interior on an appeal from the decision of the Director of Bureau of Land Management. Such decision of the Director was dated January 25, 1961, and our brief on appeal to the Secretary was forwarded to the Director of the Bureau of Land Management on April 27, 1961. To date we have had absolutely no word whatsoever as to disposition of this matter, with the exception of a letter from the Department of Interior dated May 24, 1961, advising that our brief in support of our appeal to the Secretary of Interior had been filed. That letter also assured us of careful consideration of the matters contained therein. Almost an entire year has passed and we have had no word whatsoever from the Department of Interior, the Secretary, or anyone else in that good office with regard to the application pending by Mr. Allen. A cursory examination of that file will show that Mr. Allen expended considerable effort with regard to doing work on the land involved. He not only expended effort, but expended money in an attempt to improve the area and render a valuable service to the surrounding community, only to be met with delay upon delay. We are, of course, powerless to do anything so far as moving the Secretary along to making a decision and are somewhat reluctant to jog his memory for fear that it will result in an automatic affirmance of the Director's decision. Consequently, we have been patiently waiting, sitting on our hands as it were. I am sure you will agree with me that an application of this nature and an appeal certainly deserves much more prompt treatment than it has received in this case. An Appeals Board within the Office of the Secretary with duties to handle these matters would certainly expedite matters, I believe. Thus it seems to me that this is an outstanding example of a breakdown of the machinery for reviewing appeals in the Office of the Secretary of the Interior.

With regard now to the matter of *Davidson* v. *Killen*, this is a land contest which was commenced by Morris Killen against Mr. and Mrs. Hubert Lee Davidson. Mr. and Mrs. Davidson improved their property and did the necessary prove-up work, and submitted final proof in May of 1953. This matter was heard once by Chester McNally, a former employee of the Department of Interior here at Anchorage, subsequently was heard by a hearing officer from Portland, Oreg., was appealed by us for Mr. and Mrs. Davidson to the Department of the Interior and was appealed by us to the Office of the Secretary, our brief going forward June 13, 1961. Once again, almost an entire year has passed and no action has been taken. Once again, these people have waited patiently for some action by the Office of the Secretary and none has been forthcoming. Mr. William Sanders represents the appellee-contestant, Mr. Killen, in this matter and you are probably acquainted with Mr. Sanders. You will note from the enclosures that these people, like Mr. Allen, expended considerable time and effort with regard to their application and the same has been pending for much too long a time, and particularly pending in the Office of the Secretary for review.

I might say in passing, with regard to applications of this nature in the Office of the Secretary, that I sometimes have the feeling when I tell my clients that we should take this matter up with the Office of the Secretary, that we may be doing something that will net us absolutely nothing inasmuch as I have the feeling from past experience that an appeal to the Secretary of the Interior is simply a mechanical process whereby the decision of the Director is affirmed. I have nothing concrete on which to base this, but that is my feeling. I therefore feel that your bill which would establish a Board of Appeals in the Department and Office of the Secretary would be very helpful to insure a full and objective review by a Board so that the applicants might receive fair treatment. I think these two cases are outstanding, both so far as their time waiting for decision from the Secretary of Interior and from a meritorious standpoint. They both represent people who have worked hard and have expended and invested considerable sums of money out of their own pocket as well as valuable time under adverse conditions in an area that needed and needs development. We would appreciate any assistance you might give us so far as obtaining a ruling from the Secretary of Interior. Our clients are receiving a copy of this letter so that they may be advised as to your interest in their problems as well as the efforts that you are making with regard to people similarly situated.

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I would like to make a further suggestion, namely, that two of the members of the Board be selected from the public domain States and one from any State. It is possible that if two of the members of the Appeal Board came from public domain States, they may be more understanding of the problems at the local level.

My experience has been chiefly in the oil and gas phase of the Bureau's work. Our problems in general do not arise from disputed facts but concern disputes over the interpretation of the law as given to a set of facts. Our experience with the personnel of the district offices of the Bureau of Land Management on the whole have been pleasant. We have found the employees to be helpful. However, these employees at the district level are so limited by the regulations, the decisions, and the memorandum that it is difficult for them to act except by rule. I can well understand why they do act by rule, when I realize that the statutes with reference to leasing for oil and gas purposes have been amended many times, the regulations of late years are constantly being

amended and the volume of the work has increased.

Therefore, perhaps the heart of the trouble is with true understanding of the needs of the public with reference to our land system. I think your comment is good about the fact that those who seek to use or obtain public lands should not be treated as though they were trying to deprive the Federal Government of something. I realize that there are, of course, persons who take advantage of any loophole possible and therefore, the employees of the Government must necessarily protect the Government's interest. However, I have read decisions which fail to consider the spirit of the law and with results which may be inequitable.

I think the Secretary's Division should spend more money for more employees, since the business of the Bureau of Land Management is "big" business. I think your proposal for a separate board may be helpful. I suppose that the Secretary himself could set up a separate board of appeals, but that would not necessarily provide for "hearings" which you think are necessary and which may be necessary if there are disputed facts. Your proposed legislation might be a lever to accomplish the desired results within the Secretary's Division itself. At any rate, I hope my suggestions may be of some small help.

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You are, I am sure, familiar with a good deal of the arbitrary and high-handed treatment that the Alaska Methodist University has received at the hands of the Bureau of Land Management, Department of Interior. I am sure that your office personnel can tell you of the treatment received by Wendell Kay, myself, and Fred McGinnis when we appeared in Washington for the purpose of an appeal. The then Director of the Bureau of Land Management advised the Under Secretary that he had made a decision on the appeal without offering the appellant an opportunity to be heard. Mr. Bennett, the then Under Secretary of Interior, indicated that he could scarcely understand such a procedure; however, the Director made no apology for his behavior and before any opportunity was given at this informal hearing to present our side, he announced that he had another meeting to attend and got up and left. It seemed to me pretty obvious that no appeal procedure in fact existed.

An appeal is presently pending on another question regarding certain land which has been pending for more than 2 years and no action has been taken on it whatsoever, nor has there been any notice of any hearing or has there been any indication that there will be a hearing.

I could undoubtedly cite other examples, but I am so exercised over the shabby treatment which the university has received there at the hands of these bureaucrats that I shall restrict this letter to that particular subject. In any event, if it will be of any assistance to you, I shall be glad to review my files and I am certain that I can find other situations where such a Board of Appeals as you envision in S. 3107 would have resulted in a fair and impartial hearing with a right of review and which is all that anyone can ask.

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Unhappily, however, our experiences on behalf of clients with the administration of the Public Land Laws and the Mineral Leasing Act have indicated a very serious need for corrective action. It may be that such corrective action could be taken administratively, but there has been no suggestion to our knowledge that such administrative correction is forthcoming. Certainly, it is competent for the Congress to arm the Department of the Interior with an administrative tribunal to correct the many inequities and injustices to which persons dealing with the Department are subjected.

One example of what we consider to be a flagrant abuse of administrative discretion is the rather notorious "protracted section" rule, which has been interpreted by the Director of the Bureau of Land Management as precluding the leasing, under the Mineral Leasing Act of less than full protracted sections, where such protracted sections have been adopted and published in the Federal Register (43 CFR 192.42a(c)). The language of the regulation itself does not obviate such leasing, and such an intent, even if it could be read into the regulation would be so absurd and contrary to the public interest that the regulation itself could not bear the test of reasonable necessity to the public interest, required by law. However, some clerk in the Director's office made such a misconstruction of the language of the regulation, and instruction was issued to the field officers, and now the field officers are bound by such instruction until the Secretary or a court directs otherwise. We have a number of cases on appeal to the Director's office and to the Secretary on this principle, and other major oil company attorneys in Alaska have appeals pending on the identical issue. One of our appeals has already been denied by the Director's office, the Director's decision being signed by an employee who was transferred from the Anchorage office to the Washington office at about the time the unfortunate instruction was handed down from the Director's office. He, thus, has had an opportunity to handle the matter, at least in principle, at both the land office level and at the office to which the appeal is taken. Among other errors we have alleged in this line of reasoning is the attempt by the Director's office to give a dignity and status to protracted surveys as "official surveys," a status not conferred upon them by the statutes governing surveys of the public lands.

Another matter, handled by one of my partners, involved an application under the Alaska Public Sale Act of August 30, 1949 (48 U.S.C. 364a–363e). Our client purchased the land by quitclaim deed from a native in the early fifties. Some improvements were made thereon. Around 1954, the Bureau of Land Management determined that he was liable to the United States for trespass damages for occupying public lands without authority. A stipulated amount was paid in settlement of this claim. The applicant then filed a request to have the land sold under the Alaska Public Sale Act. The land was classified as suitable for such sale, and, at the sale, the applicant was the successful bidder. The applicant thereupon improved the land for use as a chicken ranch, and submitted such proposed development to the Bureau of Land Management. This proposal was rejected. Applicant then proposed to utilize the land for salvage of surplus buildings from the nearby military installation, and for utilization of the remaining acreage as a riding academy, as the applicant is a skilled horseman. This proposal was rejected. Thereafter, without any application therefor by the community, the State, the National Park Service, or U.S. Forest Service, or any other agency having an interest in recreational lands, the lands were reclassified for disposition under the Recreation and Public Purposes Act (43 U.S.C. 869–869—4). Applicant's entry was disallowed, and he was informed that further occupation would be considered a trespass. This decision was appealed to the Director's office. Again, a former official of the Anchorage land office who participated in the reclassification of the land and the application had been transferred to Washington, during pendency of the appeal, and, not unexpectedly, there came down a decision from the Director's office denying the appeal. Virtually every allegation and statement made in the statement of grounds for the appeal was disregarded, and the appeal decision was based upon facts and allegations not contained in the case file. It can only be surmised that these facts and allegations were obtained from the transferred official (not the same one who participated in the Mineral Leasing Act decision previously discussed). An appeal from this decision of the Director has been taken to the Secretary's office, and the decision is still pending. We have other matters pending with the Bureau of Land Management in which we consider our clients' positions as having been prejudiced by wrongful action by the Interior Department, but, rather than prolong our comments, we feel that the foregoing are sufficient as examples to indicate the need for the proposed legislation and to protect applicants under the public land and other applicable laws from arbitrary action by Interior Department officials. It is our opinion that there is continual abuse of the trust imposed in the Interior Department in respect of the public lands, most of which probably never come to the attention of attorneys or others capable to assist those misused, because of the cost of proceedings to protect the rights involved.

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I think there is real merit in your proposal for the establishment of a Board of Public Lands Appeals, and I heartily concur in your remarks which were published in the April 4 issue of the CONGRESSIONAL RECORD, as well as with the contents of your letter to Secretary Udall dated April 11, 1962.

It seems to me that the public interest in fair treatment to all persons dealing with the public lands would be well served by a division of the administrative power and the quasi-judicial power exercised in the Department of the Interior. I realize that the establishment of a Board of Public Lands Appeals and the conduct of hearings in the field might entail some additional cost, but it seems to me that the proposal nevertheless is well justified. If cost is a considerable factor, perhaps the additional expense might be offset, at least to some degree, by a reasonable increase in fees charged by the Department.

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I want you to know that I heartily endorse your proposal to provide automatic appeals before a Board of Public Lands Appeals, which would insure each applicant a right of appeal with the benefit of regional hearings and with the protection provided by the Administrative Procedure Act.

I would commend for your consideration certain amendments which would make the Board an independent administrative tribunal rather than a subordinate agency of the Department of the Interior. The Board should consist of a presiding judge and two associate judges appointed by the President with the consent and approval of the Senate. The terms of office should be for a period of at least 10 years. I have in mind the same type of legislation applicable to the U.S. Tax Court, which has served well as an independent tribunal. I have had the benefit of an extensive amount of practice before so-called administrative boards of appeal established by the agency litigant. Whenever a board is subject to hire and fire by a particular agency of the Government involved in the litigation, the board itself is unable to render objective findings.

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I do feel, however, that the present system is out of date and in need of improvement in order to make it serve the needs of the increasing numbers of people who deal with the Government on these matters. I recently had occasion to communicate to Congressman BROOKS my view that an effort should be made to provide within the department a body of personnel trained in the

process of adjudicating cases and with sufficient independence to insure that these problems would be disposed of impartially and uniformly. The present system is not so designed and to the extent that its work has produced satisfactory results we should congratulate the persons involved, rather than the organization.

In my view S. 3107 seems well designed to accomplish this end, while at the same time meeting the additional problems caused by the great distance which presently separates the citizen from the forum in which his case is being adjudicated. It seems to me that by seting up a board of the type suggested with the means and authority to hear these contests at a place where the parties can attend or be represented by their own local attorneys, the desired objective could be attained without materially increasing the number of persons employed in this function.

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Let us first say that we wholeheartedly support the thoughts expressed in your letter to Secretary Udall. At the request of the Honorable JACK BROOKS, chairman of the Government Activities Subcommittee of the House Committee on Government Operations we recently had occasion to express our views on the removal of one of the appellate steps and the use of memorandum decisions. The enclosed copy of our April 5, 1962, letter to Mr. BROOKS clearly shows our agreement with your statement that the statutory rights of the public in the public domain are not being safeguarded.

We especially like two ideas contained in S. 3107:

1. Hearings will be held at a location convenient to the appellant. Present hearings before field commissions and examiners are held at a time and place of their own choosing without much regard to the location of the land or the private party.

2. Appeals from final decisions of the Board of Public Lands Appeals shall be to the U.S. court of appeals for the circuit in which the land involved is situated. This will avoid the bulk of the public land cases having to be prosecuted in the Federal courts in Washington, D.C.

Many justifiable appeals are not taken because of the expense and delay involved and these provisions should cut down on such expense and delay.

We agree with your statements that there should be a division between the administrative power and the quasi-judicical power exercised in the name of the Secretary of the Interior and that there should be a complete separation of personnel and authority between the two present appellate levels. For the reasons expressed in the enclosed letter, we do believe that there should be two completely separate administrative reviews of an appellant's contentions. In fact, if the Secretary persists in his present plan to curtail the administrative review procedure, we strongly support the substance of S. 1037 as being necessary to afford our clients an opportunity to avail themselves of a review of their contentions by at least two administrative offices.

As we stated in the enclosed letter, however we doubt that it is necessary to alter the present system and increase the number of administrative personnel in order to achieve the desired goals. As a possible alternative, we offer the suggestions contained and discussed in the enclosed letter relating to:

1. Simplification of the statutes and regulations.

2. Codification and promulgation of decisions.

3. Speeding up the processing of appeals.

We do not believe that it is necessary to abolish the Solicitor's review of appeals and substitute a Board of Public Lands appeals in order to have decisions made in accordance with the statutes and regulations. The Solicitor's Office is a legal one and should make judicial type decisions in accordance with the law as codified and amplified by prior decisions. If the administrative side of the Interior Department decides that changes are needed, let the regulations be altered after due notice and hearing. The Solicitor's Office should in the good faith performance of its duties decide a case according to what the law is and not according to what the administrative planners deem it should be.

It would also seem that the Secretary could easily provide for different personnel and different levels of authority to handle the two steps in the appellate procedure; i.e., the Director's level and the Solicitor's level. This change could and should certainly be brought about without the necessity of a new statute. As discussed in the enclosed letter, we believe that there has already been too much patchwork legislation in this area.

The provision of S. 3107 that gives us the most concern is that part of section 8 which would allow a decision to be delayed until the Secretary has considered whether or not to change a regulation if the result under the prior regulation "would lead to are inequitable, unjust, or unintended application of the law." Presumably then, the decision would be decided under the new regulations. This strikes us as being ex post facto and not very likely to lead to an efficient administration of the public domain.

You especially requested examples of situations that could have been handled more equitably. The primary situation where inequitable results have resulted in the past is where a decision has departed from a prior line of decisions. As long as the statutes, regulations, and decisions are reasonably clear and uniformly adhered to, we can, together with our client, plan a course of conduct which will afford the client a reasonably high degree of safety. However, when stare decisis is disregarded and the rules of the game keep changing, our clients cannot be as well protected and are less apt to develop the public domain. Two recent examples of decisions that did not follow the prior law are:

1. Franco Western Oil Co., et al., 65 I.D. 316 as modified, 65 I.D. 427 (1958). This decision especially led to uncertainty of Federal titles and many appeals, some of which have not yet been finally decided in the courts. Enclosed is a copy of a statement submitted by a member of this firm when H.R. 7610 was introduced to correct the first Franco Western decision. This statement shows the kind of hardships that are created when decisions are written without regard to stare decisis.

2. Kirby Petroleum Co., et al., 67 I.D. 404 (1960).

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DENVER, COLO., *April 5, 1962.*

Hon. JACK BROOKS,
*Chairman, Government Activities Subcommittee, Committee on Government Operations, Washington, D.C.*

DEAR MR. BROOKS: We appreciate your letter of March 21 requesting our views on the instituted and proposed actions by Solicitor Barry to reduce the large backlog of pending appeals.

While we fully realize the deleterious effects of a large backlog of appeals, and the denial of due process often involved, we favor the retention of the present system of appeals. Since the decision of the local land officers are usually made by nonlawyers and without any opportunity for a formal presentation of alternative positions, we feel that in justice our clients should be able to avail themselves of a review of their contentions by at least two levels of legally trained persons. We would therefore not like any appeal step eliminated although we would like the time it takes to reach a final administrative determination materially shortened.

As is true in many other matters affecting the United States, administrative review of laws and regulations has largely superseded recourse to the U.S. courts. Even though the Government is judge, jury, and prosecutor in these proceedings, the end results are not unsatisfactory if an aggrieved citizen has two opportunities to present his views as are now afforded him. We have observed that as to many unsettled questions it is often useful to bring the Director and the Solicitor's office into direct conflict with each other so that a truly definitive and mutually acceptable answer can be achieved.

However, if one of the appellate steps is to be removed, we would much prefer to have a direct appeal to the Secretary rather than a certiorari procedure. It has been our experience that generally the Solicitor's decisions have been better reasoned and more comprehensive than decisions at the Directors' level.

We believe that much the same kind of delay would be involved in obtaining a ruling on a certiorari petition as is involved in obtaining a substantive decision by the Solicitor. Also, if the petition is granted, time would be consumed in the additional process of preparing and serving statements of reasons for appeal and the formal decision-making process.

We have no objection to the institution of a review procedure which rules only upon errors asserted by an appellant in his statement of reasons. We do, however, object to any use of memorandum decisions. We believe that the interested public is entitled to complete and comprehensive decisions and not just to brief rulings without any expression of the underlying rationale. We also believe that complete decisions are a necessary aid to the local land offices in their day-to-day administration of the public domain.

While we do believe that better trained and qualified adjudicators at all administrative levels would greatly reduce the backlog of appeals, we are convinced that a mere increase in the staff would not provide relief. Parkinson's first law is in full force and effect in the Department of the Interior and we suspect that adding personnel would not materially change the time required to process an appeal. Any permanent solution to this problem must come by reducing the number of appeals and not by increasing the number of adjudicators.

Of course, there is no easy answer to reducing the number of appeals. We do believe, however, that compliance with the following suggestions would lead to a reduction.

1. Simplification of the statutes and regulations: The Mineral Leasing Act of February 25, 1920, as amended, under which most of the appeals we handle are taken, has been altered, amended, and patched so often that it is now far from a model piece of legislation and contains many provisions which do not further any worthwhile interest of the United States or the oil and gas industry. The regulations have not only followed the law but have, in and of themselves, introduced another layer of complexities, ambiguities, and technicalities, some of which either serve no useful purpose or achieve a useful purpose in a complicated manner.

We earnestly believe that the statutes and regulations could and should be completely reworked to make them simpler and clearer. Such a revision would, with the passage of time and the cessation of rights vested under the present law, lead not only to fewer appeals but also to a reduction of the workload throughout the entire Bureau of Land Management.

2. Codification and promulgation of decisions: Regardless of whether or not statutes and regulations are revised, it would lead to a more efficient administration of

the public domain and to fewer appeals if all decisions by the Director and the Solicitor were swiftly and systematically made available to the interested public and the local land offices. The only General Government promulgation of decisions of which we are aware is the decisions of the U.S. Department of the Interior, the ID's. An ID only purports to report "the most important administrative decisions and legal opinions" that were rendered at the Solicitor's level during a given period of time. There is thus no general promulgation of the other decisions of the Solicitor (which might be the "most important" decisions on a particular point) or of any decisions of the Director of the Bureau of Land Management. A private publication, the Gower Federal Service, has been a great aid in the oil and gas area but it has no convenient topical arrangement nor does it purport to be complete. No systematic collection of decisions relating to other types of public lands problems is now available to the public as far as we know.

If this developed body of administrative law were made available to the interested public and the local land offices in a complete and systematic fashion, it is our belief that many appeals would be avoided. If the public is informed on what the law is, they will not have to appeal to find out what it is. Even if a full set of decisions cannot be made public with reasonable speed, there exists in the Department an index of all decisions which could be of great use if it was generally available. Our several attempts to acquire a copy have been fruitless. Without it we are forced to appeal what appear to be unsettled questions only to find that the final administrative decision turns on an unpublicized decision.

3. Speeding up the processing of appeals: Although this office has been bluntly advised by a previous Solicitor that "the Government does not operate within deadlines" we feel that it can and should do so, again referring to Parkinson's law "that work expands to fill the time available for its performance." We have a strong suspicion that in the normal course of an appeal the subject file is in transit between desks or idle on a desk over 90 percent of the time. This is the normal result of no deadline and of the duplication of effort which results from every man double checking his work, prior to its submission to the next higher echelon with every other man in the same and lower echelons who is even remotely interested in the concepts involved. A system involving reasonable time limits and a vertical line of review and supervision should cut appeal time to a fraction of that presently possible. While single instances are not of great importance, we at one time became involved with 17 people in the Department before we obtained a negative answer to a fairly simple problem. The shocking thing to us was that each of the 17 had a fairly comprehensive knowledge of the case but no one had or would exercise the authority necessary to dispose of it.

Thank you again for affording us this opportunity to express our views and please let us know if we can be of any further service to you in this matter.

Respectfully submitted.

HOLME, ROBERTS, MORE & OWEN,
By TED P. STOCKMAR.

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STATEMENT OF L. DOUGLAS HOYT WITH RESPECT TO H.R. 7610 BEFORE THE SUBCOMMITTEE ON PUBLIC LANDS, HOUSE OF REPRESENTATIVES, COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, AUGUST 6, 1959

I am an attorney at law, in private practice in Denver, Colo. The firm of which I am a partner represents a number of independent oil and gas producers, who hold oil and gas leases issued under the Mineral Leasing Act and acquired by those producers through assignment. These leases, while approved and extended by the Department of the Interior, are now under challenge by contests filed by a group of individuals in Colorado. H.R. 7610 would, by congressional action, ratify the actions of the Department of the Interior and place the questioned leases in a status whereby development could be commenced or continued by the holders of the leases.

The following set of circumstances has given rise to the attack upon these leases: By section 6 of the act of July 29, 1954, Public Law 555, section 30(a) of the Mineral Leasing Act was amended to provide that an assignment of a segregated portion of a nonproducing lease in its extended term would continue the segregated lease for a period of not less than 2 years from the effective date of the assignment. By a decision of the Solicitor of December 14, 1956, the parent lease from which the assignment was made, as well as the assigned portion of the lease, was determined to be subject to the benefits of the 1954 amendment. Section 30(a) of the Mineral Leasing Act also provided that "any assignment or sublease shall take effect as of the first day of the lease month following the date of filing in the proper land office. * * *" By decision of June 4, 1957, the Solicitor ruled that the last moment of the last day of the lease term would be instantaneous with the first moment of the effective date of the assignment.

At this point, everyone holding Federal oil and gas leases felt there was a clear understanding of the operation of section 30(a) of the Mineral Leasing Act. It was concluded that one could take an assignment of a segregated portion of a nonproducing lease under a farmout agreement during the last month of the extended lease term, immediately file the assignment for approval and then proceed to drill with a firm understanding that a 2-year extension would be granted. However, on August 11, 1958, the Solicitor wrote an opinion, commonly known as the first Franco Western decision, in which the Solicitor ruled that the Department of the Interior would no longer consider the last moment of the last day of the lease term as instantaneous with the first moment of the effective date of the assignment. Therefore segregated assignments filed for approval in the 12th month of the 10th year would no longer be granted continuations under the 1954 amendment. Unfortunately, the opinion did not state what its effect would be upon previously granted continuations. Perhaps even more disastrous was the fact that while the opinion was dated August 11, 1958, it was not made known to the regional offices of the Solicitor until the middle of the following month (i.e., until the middle of September).

Immediately after the first Franco Western decision, groups of individuals moved into the land offices in California, Colorado, Montana, New Mexico, Utah and Wyoming and filed offers for leases on all lands, producing and nonproducing, covered by leases which had been previously extended by the Department of the Interior by reason of segregated assignments filed for approval in the 12th month of the 10th year.

This matter was called to the attention of the Department of the Interior, and in an attempt to rectify the hardships resulting from the first Franco Western decision, the Solicitor on September 30, 1958, modified his first decision by the second Franco Western decision. The second Franco Western decision stated that the announced policy of the Department not to approve assignments filed in the last month of the extended lease term would not be applicable to assignments filed for approval on or before August 29, 1958.

The damage done by the first Franco Western decision was not, however cured. As the applications of the people who had filed after the first Franco Western decision were rejected by the local land offices, the offerors filed mimeographed briefs appealing the rejection of their offers. It can only be expected that as the appeals are uniformly rejected within the Department of the Interior, exhausting the administrative remedy, that the offerors will pursue their claims in the courts.

Literally hundreds and perhaps a thousand or more lease titles have been clouded by reason of the foregoing facts. Approximately 1 year has elapsed since the first Franco Western decision. While I and most other attorneys feel that if litigation in the courts follows, the leases as recognized by the Department of the Interior would be sustained, all benefits of the extensions granted to our clients by the Department of the Interior will have been lost. The need of H.R. 7610 is therefore urgent. Its immediate passage by Congress in this session cannot be too strongly urged.

In conclusion, I should like to give you one practical example of the results of the first Franco Western decision and the urgency of the need of H.R. 7610. Consolidated Oil & Gas, Inc., a relatively small independent oil and gas producing corporation, acquired in August of 1958, an assignment of a segregated portion of a Federal oil and gas lease from Pan American Petroleum Corp. The lease, then in its extended term was due to expire August 31, 1958, unless given the benefit of the 1954 amendment. By the terms of the farmout agreement under which Consolidated acquired the assignment of lease, it had to commence a test well within a short period of time. Consolidated immediately filed the assignment for approval, received the permission of the U.S. Geological Survey Office to commence the well, and did commence the well in August of 1958. The assignment into Consolidated was approved and a 2-year extension was granted. By the time the first Franco Western decision was announced, Consolidated had spent $125,000 in drilling its well. One of the groups of individuals of whom I previously spoke filed an offer for lease on the land covered by Consolidated's lease and has appealed the rejection of his offer. Consolidated now has spent approximately $200,000 on the well and is ready to put the well in production. Consolidated must, however, as is the case with most small producers, immediately mortgage the property with a bank to finance its future operations. A serious question exists, however, with the appeal of the other party as to whether or not Consolidated has a marketable title until the question of the conflicting offer is finally determined.

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The appeals procedure on Bureau of Land Management cases is to my mind entirely unsatisfactory and I welcome your efforts at creating a more equitable appeals system. I am highly in accord with your proposal to establish a Land Appeals Board for the reason that I believe a party should be able to present his appeal to an appeals body in person, or through counsel, to present his case more effectively.

More important, under the present setup there is no opportunity to cross-examine the so-called experts in the Bureau of Land Management who have made the decision regarding the land problem. In other words, I have had the experience of fighting a determination by a lower level person in the Department that a certain tract of land should be classified as a "recreational" area. This is a factual determination obviously by a man in the field supposedly with some expertise on the situation. Appeals of these matters are practically fruitless because the Director of the Bureau of Land Management and then the Secretary of the Interior

will hardly ever question or reverse a discretionary finding by a lower level person. In other words, we never know who is making the decision and have no opportunity to question same in any stage of the proceeding. To me this violates the essential thesis of due process and would be contrary to the tenants of the Administrative Procedures Act. The people in the Bureau of Land Management should be called upon and be required to substantiate their discretionary decisions the same as any other administrative agency is.

It is appalling to me to see that the Secretary of the Interior is considering a further weakening of the appeals process in Bureau of Land Management matters. It is bad enough as it is without limiting the appeals still further by a discretionary review procedure. I hope that you will do everything in your power to fight this proposed appeals system and to push for enactment of your bill, S. 3107.

I should also state a further matter that happened to me personally in making an appeal on a land problem involving a friend's and my ownership of a piece of property upon being turned down on an appeal to the Director of the Bureau of Land Management. I submitted an appeal to the Secretary of the Interior and in the press of business forgot to send the check for $5. The appeal was, of course, summarily dismissed in accordance with the regulations of the Department of the Interior for nonpayment of the filing fee. This, of course, could not happen in an ordinary legal matter where you are dealing with local authorities because you would need your filing fee to file the papers in the appropriate court. I wonder how many other appeals are dismissed in the Department of Interior for the neglect of persons to send in the $5 filing fee. It seems to me that the law could be changed so that in the event this fee was overlooked, that it could be paid within 10 days of notice of nonpayment of the Department. One other course of action to ease this problem would be to allow the appeals to the Secretary of the Interior to be filed on the local offices of the Bureau of Land Management.

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In reply to your letter of April 13, 1962, asking for our comments on S. 3107 to establish a Board of Public Lands Appeals in the Department of the Interior, we would be in favor of any procedure which might make available the procedures for review of Land Department decisions in a more judicial atmosphere, such as presumably would be the case if the Board of Public Lands Appeals or some similar body was established. We also would be in favor of any procedure which would permit appellants from decisions of the officials of the Department of the Interior to have their appeals heard locally, as, for example, is now the case with tax matters through the Board of Tax Appeals. This also appears to be contemplated by S. 3107.

Our principal objection to the present review procedure is twofold:

1. It is too lengthy, in that to complete the full administrative review requires approximately 2 years and in many cases longer.

2. It has seemed to us that with increasing frequency the Land Department decisions, both at the Director and at the Secretary level, have come to rely more and more upon decisions which in and of themselves should have been reviewed in the first instance; in other words, there is a growing body of administrative common law which is getting further and further from any semblance of judicial approval and which in many instances determines property rights of considerable value.

We believe your proposed procedure would have considerable merit. Our only suggestion is that a definition of what constitutes a "final decision" be added and that such a definition should be broad enough so that it would permit appeals from the decisions of the local Land Office Manager or Regional Geological Supervisor and not merely add a third level of administrative review on top of the existing two step procedure; that is, through the Director of the Bureau of Land Management and the Secretary of the Interior. To put it another way, we believe the Board of Public Lands Appeals would have merit only if it takes the place of the existing departmental review procedures. To this end, we suggest that there be language added to your bill to the effect that all appeals from initial decisions of officials of the Bureau of Land Management and U.S. Geological Survey could be made to the Board of Public Lands Appeals and to no other official or agency of the Department.

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As you may recall, I represented an August F. Scheele who initiated a land contest, in the Anchorage Land Office, on June 12, 1959. I have enclosed the entire file with respect to this contest. Actually it was two contests directed against persons whose claims overlapped claimed land of Mr. Scheele. It is for this reason that some of the documents refer to Johnny H. Dockery and others refer to James E. Sullivan. Both contests were handled concurrently.

Reference to the file will show that my client complied with the regulations. However, hearing was delayed for such an extended period of time that a court action was subsequently, to the initiation of the land contest, commenced and completed before final decision was received. One of the primary reasons for the administrative hearings is to expedite matters like contests so they would not become embroiled in court litigation which is frequently of extended duration. However, in the case which I have described above, the court action was actually commenced after the land contest was begun and completed before the final decision was rendered. It would seem that there is something very seriously wrong with a system that permits such extended delay.

The ironical part of the entire matter is the fact that my client lost in court, but their position was subsequently upheld by the final decision in the administrative channels. It is my fervent belief that an expeditious hearing would have resulted in success for my clients. At the court trial, my clients showed an expenditure of much more money and much more substantial improvements. However, the other side brought in a parade of witnesses which apparently impressed the jury.

As a result of all of this activity, my client was forced to spend thousands of dollars which would not have been required if the matter had been handled expeditiously at the administrative level. It would appear your bill would permit this.

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I am particularly interested in this measure because of the unjustified manner in which the Forest Service and the Bureau of Land Management have been treating mining claim holders. Without going into detail on the matter, I presume this appeals board will be available to claim holders who feel they have been wrongly deprived of their mineral rights.

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It was with great joy that I read in the California Mining Journal, May number, of both your and Senator HOWARD CANNON'S efforts to have a Board of Public Land Appeals established to insure proper review of the actions of the Bureau of Land Management and Forest Service. They have gone simply berserk in their unconstitutional actions.

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I have noticed that you have introduced a bill, S. 3107, which would establish in the office of the Secretary of Interior a three-member Board of Public Land Appeals. I think this is an excellent move and I wish you all success in passage of this measure.

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I would like to see enacted bill S. 3107 to establish in the Office of the Secretary of the Department of the Interior a Board of Public Land Appeal as introduced April 4 by Senator GRUENING for himself and other Western State Senators. Would appreciate if you would aid and expedite enactment introducing identical bill in the House if necessary to help and expedite.

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The introduction of your legislation, S. 3107, to establish a three-member Board of Public Lands Appeals, is desirable legislation that is greatly needed. The mining industry of the United States has suffered greatly the past few years because of arbitrary decisions made by the Forest Service mineral examiners and hearing officers of the Bureau of Land Management that completely disregard the basic laws as related to the mineral development of the natural resources.

I will give you one case in point, and many others are available, but in this one case I am qualified to speak since as a result of this case I have an appeal in the Solicitor's Office in Washington at this time regarding a patent application on 16 lode mining claims.

Over the past years I have developed considerable manganese reserves on the Mogollon Rim of Arizona that yields a product that brings a premium from the steel industry. I have patented a number of these claims, constructed a mill for upgrading, and I have constantly continued exploration work to develop reserves in this area. Many tons of this manganese have been sold to the steel industry and to the General Administration Organization for stockpiling, all high grade manganese of 40 percent plus MnO. At the present domestic price we could break even selling manganese, but our desire is to realize a profit; therefore, we will not process or sell this ore until the domestic price will justify our efforts. My family has been in the manganese business since 1886 and we are aware of the fluctuating market, so we continue our exploration work.

In continuation of our efforts to develop a natural resource and to protect the large expenditures that I have made, I have applied for mineral patents for an additional portion of the ground that I have explored and developed. The Forest Service has tried every conceivable way to circumvent the mining laws. As you are aware, to patent mineral claims the basic mining laws of May 10, 1872, as amended, are still the laws of the country as they refer to mineral development. The Forest Service brought adverse proceedings on these claims contending that they were nonmineral in character, predicating the charges on the theory that manganese is not presently a marketable mineral, therefore it is not a valuable mineral, and that the claims should have been located as placer instead of lode. (Note: Of the 16 claims in my patent application 14 are contiguous with patented lode mining claims and the ore bodies that are exposed on 4 patented lode claims extend over and into 4 of these unpatented lode claims that are in the patent application. A civil law suit on adjacent property, in which the same Forest Service mineral examiner was a participant, the judge ruled that the claims were lode and the decision was adverse to the parties for which the Forest Service mineral examiner appeared as a witness.)

The hearings examiner for the Bureau of Land Management ruled adversely on my application, the decision was arbitrary and in complete disregard to the testimony of eminently qualified expert mining witnesses. In brief, the basic mining laws as relate to the mineral development of the natural resources are being completely disregarded and

arbitrarily regulated according to the desires of the Bureau.

In my hearing the Bureau supported decisions of the Bureau with decisions that the Bureau had made in the first place. At present there seems to be no way in which I can get an objective review of my appeal until I can get my case into a U.S. Court of Appeals. If the Bureaus complied with the mining laws as laid down by the Congress and the decisions of the Bureaus were objectively reviewed, the laws and regulations governing the disposition of public lands could be uniformly and equitably administered. At present it seems that any claim to public lands is considered by Bureau officials to be depriving the Federal Government of its just dues.

If the provisions of your bill had have been applicable at the time of my patent application, and the Forest Service and the Bureau of Land Management knew that any decision that they rendered would have been subject to an objective review based on time proven and court tested procedures in passing on mineral patent applications and mineral locations I am certain that a sound judgment would have been made; however, under the present procedure the Bureau can make arbitrary decisions because they know that in a majority of the cases it is financially impossible for a prospector or small mine operator to challenge a ruling of the Secretary of the Interior.

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In general, we have concluded that the establishment of a Board of Public Lands Appeals would be desirable. It may be that such a Board could expedite the handling of the large volume of appeals now being administered under the Mineral Leasing Acts. Furthermore, this Board—if properly staffed—could be an effective instrument in instituting any future necessary changes in the procedures and regulations.

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The introduction of your bill S. 3107 to curb abuses in the Interior Department is a most constructive piece of legislation. I am very hopeful that the bill won't suffer because your friends can't handle the 5,000-plus-mile trip to appear in your favor at hearings.

The most important element is section 9 which allows appeal in the court district where the land is located. Therefore, if possible, I should like to see your section 9 expanded to protect all appellants from adverse BLM decisions, without limitation to appeals from your Board only. Your bill would be more valuable if it incorporated the following thought, to be rephrased in accordance with your advice of counsel: "Any appeal from final decisions of the Department of the Interior shall be to the Federal court having jurisdiction in the area where the involved land is located." You would have done a great service if you could get enacted only this one thought at this session.

Section 5 appears to preclude appeal by the Government, which it should. Does it prevent Government appeal from a down-the-line decision favorable to entryman up to the Board as well as up from the Board to court? It should.

I am now being harassed by an appeal to the Director by the local Bureau of Land Management against a hearing examiner's decision in my favor. If I should be reversed, and if the Bureau of Land Management uses the same tactics they have used in the past of having an Assistant Secretary approve the Director's decision, then I stand with appeal to the Secretary denied and with court appeal practically denied because the Bureau evades court review on the technicality that the Director lives in Washington and must be sued in Washington, not in the district where the land is. They could steal my land because I can't afford a Washington lawsuit. I am hoping responsible people in the Bureau will forestall this.

I have written Harold Hachmuth in the Bureau and I am enclosing a copy of the letter, which argues why the Government should not appeal against a decision favorable to the entryman. Please use the material freely as you see fit without thought of acknowledgement or credit, if it will advance your position.

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May I first state that we feel congressional attention to the appeals procedure, and the current backlog of appeals in the Department of the Interior, is most welcome at this time. The facts of the situation speak for themselves, and certainly indicate the need for some immediate remedial action, either by the action of the Secretary of the Interior, or as a result of legislation enacted by the Congress.

We feel it would be inappropriate to comment on the specifics of the proposed legislation as set out in your bill. However, we should like to make certain general observations on some of the features of S. 3107.

You are undoubtedly aware that at one time, and for many years, a Board of Appeals functioned with great effectiveness in the Department of the Interior. Of course, since the abolition of that Board, both the character and volume of the appeals reaching the Office of the Secretary of the Interior have changed greatly.

We suggest that it might be well, at this time, to consider some sort of separation of the appeals procedure in the Office of the Secretary or Solicitor, even to the extent of two boards of appeal. It might be well, for instance, to consider an appeals procedure relating strictly to matters involving surface titles and claims to public land, and a different procedure or mechanism to govern appeals with respect to oil and gas leases and problems relating thereto. We make this suggestion for the following reasons:

1. An oil and gas lease is for a term of years. Long delays in determining an appeal involving a lease which has issued, in effect takes from the lessee a great deal of the term of the lease allowed by the law. In addition, unresolved questions relating to leases oftentimes hold up development of other leases until these questions are settled. On the other hand, long delays in determining an appeal involving a lease offer denies the Government rental revenues, and possible revenues inuring from the development of the lands in question. Whereas procedures relating to disposition of the public lands produce no revenue to the Government, oil and gas rentals and royalties are productive of great revenue to the States, the Reclamation Service, and the United States.

2. Controversies over oil and gas leases, whether between two parties before the Department of the Interior, or before some individual and the Department of the Interior, seldom involve any real controversy as to the facts. Thus, even when such matters are taken to the court by way of a suit against the Secretary of the Interior, the factual situation is almost invariably stipulated or agreed to, and cases are determined on the law as a result of cross motions by plaintiff and defendant for summary judgment. In such cases, any provision for oral hearing before the Department of the Interior as to the facts would appear unnecessary.

We do desire to make specific comment on sections 8 and 9 of the proposed legislation. In connection with section 8, we recognize the intent of the proposed legislation as in an effort to do equitable justice in each case. However, we question the propriety of legislation which would allow the Secretary of the Interior to change his regulations, as applied to a specific case, or, for that matter, to the specific case in question and all cases thereafter, during the pendency of that case. The courts have seen fit to remind the Secretary of the Interior that he is bound to follow his own regulations, as are all those appearing before him; and we feel that, in the long run, this view of the law operates to the advantage of those appearing before the Secretary. Regulations which do not protect the Government and the rights of litigants before the Department result in chaos.

In connection with section 9 of the proposed legislation, we note that your statement in the CONGRESSIONAL RECORD contains some concern as to the cost of litigation in connection with these appeals in the Department of the Interior. May we simply point out that, considering only the rules of the court, relating to printed records and briefs, litigation before the U.S. Court of Appeals is considerably more expensive than litigation before a District Court of the United States. Further, in connection with section 9, we have certain reservations about an appeal from a decision by a hearing examiner which might be the net effect of section 4 of the proposed legislation, to the U.S. Court of Appeals.

I have had dealings with the Anchorage office of the Bureau of Land Management, both on oil and gas and homestead and surface rights appeals representing clients and my own interests. I have found the Bureau of Land Management personnel both cooperative and conscientious. I am also quite familiar with the regulations governing public lands in Alaska having worked with them for the past 8 years.

I am convinced that something like the Board of Public Lands Appeals which you propose would be a great help in solving land problems in Alaska. My experience has been that only by appealing to the Secretary of the Interior (after failing in reversing the land office decision) is one able to receive a thorough and honest appraisal of the appeal on its merits. However, the delay in rendering such a decision is one of the drawbacks of the present administrative appellate system.

If an independent hearing officer were to hold hearings at the place where the land is situated and were to hear an appeal directly from the land office, much good could be had. My experience has been that the adjudicator here in Anchorage is swamped with work. Each case which comes across his desk should be treated separately on its merits, but because of the volume of cases which the adjudicator has to handle, and for other reasons, he simply has no time other than to apply the regulations to the particular facts, read in the strongest light against the applicant, and to make his decision. Partly because most applicants aren't familiar with the regulations (Who is?) and partly because a homesteader is not by inclination or training a lawyer, he fails to conform to the letter of the regulation. His application is, therefore, rejected. To appeal a rejection is an almost insurmountable job without a lawyer, so many of the cases die for lack of appeal.

A local appeal hearing, if properly managed, would allow the equities of the situation to be viewed, and, more importantly, would allow the Board, or its designatee, to tell the applicant what curative action he can take so as to comply with the regulations. As it now stands, the applicant receives a printed decision which, in most cases, simply tells him that he has failed to comply. And, in most cases, if he knew what to do to meet the requirements he would do so. Fraudulent intent on the part

of Alaska homesteaders is something the Interior Department need not fear.

As for specific situations where a hearing such as you envision might have been able to handle the matter more equitably, I cite you the Dr. Joseph B. Deisher (Seward) matter about which we corresponded last on March 26, 1962. The Director's decision of December 29, 1961, made absolutely no attempt to treat the merits of the case. Whomever handled the appeal must have simply changed a few words in a homestead entry form decision and cranked it out. Dr. Deisher deserves better treatment in view of the work he has gone to to settle wilderness land. A public hearing here in Anchorage or Seward could more probably bring him that treatment.

## CAPTIVE NATIONS WEEK

Mr. JAVITS. Mr. President, in late years the President of the United States has declared a week in the middle of July as Captive Nations Week. With the Senator from Illinois [Mr. DOUGLAS] I had the honor to sponsor the original Captive Nations resolution. Very little we have been able to do in the world, in terms of declaring our position, which has stirred up the men who rule the Communist bloc in the Kremlin more actively than the Captive Nations resolution. After all, the very criterion of their bid for world power is found in the fact that they hold in their grip practically the whole of Central Europe, the nations along the Baltic, and a very great part of the nations in the Balkans.

Therefore, it is extremely important that the United States keep alive the hope of freedom for those people. They know and we know that we will not try to liberate them by force, but nonetheless the hope of freedom, so long as we show that we are devoted to it, is a very critical element in such shows of independence as they occasionally make and in maintaining in the hearts of those people a memory of self-determination and personal dignity, freedom of which they will avail themselves, given the remotest opportunity.

That is extremely important in our struggle for freedom and in the struggle called the cold war. Since time is passing and time is required to prepare for the celebrations with a view of keeping the hope of freedom alive in the captive nations that take place in this country, and for the activities of various organizations like Radio Free Europe and others of the same kind, I express the hope that President Kennedy will, quite promptly, issue the proclamation declaring the middle of July—I suggest the week of July 15–21—as Captive Nations Week. I hope that he does so promptly, and with the vigor which befits the fact that there is something of a shift in the struggle between ourselves and the Communists in our favor. That kind of activity is a very useful element in accelerating the trend.

I notice with great intent an editorial published in the New York Daily News entitled "Memo for the President," which calls for this action to take place right now. I strongly endorse the editorial, and I ask unanimous consent that it may be printed in the RECORD at this point as a part of my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

MEMO FOR THE PRESIDENT

Since 1959, it has been customary for the President of the United States, about this time of year, to proclaim Captive Nations Week—which in 1962 will be July 15–21.

During that week, it is customary for all interested groups to stage demonstrations of various kinds in honor of the once proud and independent nations which Soviet Russia is holding in slavery behind its Iron Curtain.

CAPTIVE NATIONS

These nations are Albania, Bulgaria, Czechoslovakia, Estonia, East Germany, Hungary, Latvia, Lithuania, Poland, and Rumania—to say nothing of the Ukraine, Armenia, and Stalin's old home province of Georgia in southern Russia.

The Kremlin is cordially hated in all of these areas, and Khrushchev is mortally afraid of their people.

That hatred and that fear add up to one of our best weapons in the cold war, if we'll only keep using this weapon as persistently and as shrewdly as we know how.

Every time we wave the weapon at Khrushchev, he foams at the mouth and breaks into a cold sweat—and it is a safe bet that news of our continued interest in the captive nations gets through in one way or another to the people of those nations.

So how about President Kennedy issuing the customary Captive Nations Week proclamation at any minute now? And how about making it some 99 percent tougher and more specific than the wishy-washy document his appeaser and chicken-heart advisers persuaded him to get out last year at about the 11th hour?

## A STRONG CASE EXISTS FOR A GOLD MINING SUBSIDY DESPITE THE TREASURY DEPARTMENT MONETARY EXPERTS

Mr. GRUENING. Mr. President, nearly 30 years have elapsed since the President of the United States set the price of gold at $35 per fine troy ounce.

Since Franklin Roosevelt's proclamation of January 31, 1934, raising the price from $20.70 an ounce to $35, gold has been purchased by the U.S. Government at that same rate and it has been sold by the mints and Assay Office at the same rate.

I suggest it is time for all of us to look more realistically at today's prices before ignoring again the urgent request by the gold mining industry and those of us concerned by the drastic decline and imminent demise of a once great American industry and before closing the door to the suggestion that the Government provide subsidy for newly mined gold.

Gold, like historic Gibraltar, has remained firm. But planes today fly over Gibraltar just as 1962 prices have skyrocketed above the fixed price of gold. Small wonder that miners have left their diggings. Small wonder that the gold mining industry finds itself perched alongside a precipice into which it will have to fall if we do not act.

Representatives of the gold mining industry have attempted to warn the Treasury Department of impending disaster to the industry. They have presented their case truthfully and effectively. But as the mines continue to close the Treasury closes its eyes to this needless closing.

Treasury Department representatives cannot separate rumor from fact.

On June 8 this year a spokesman for Secretary of the Treasury Dillon said a proposed subsidy for domestic gold production would disrupt the monetary system of the free world.

I regret to report that the excellent questions posed by many Senators of the Subcommittee on Mining and Materials of the Interior Committee at the time, and were unsatisfactorally answered, did not receive the news coverage they deserved.

I ask unanimous consent that the story—an inedaquate reporting in my view—which appeared in the New York Times on the day following the hearing before members of the Minerals, Materials, and Fuels Subcommittee of the Senate Interior and Insular Affairs Committee, be printed in the RECORD at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

TOP TREASURY AID FIGHTS GOLD SUBSIDY

WASHINGTON, June 8.—A spokesman for the administration testified against a proposed subsidy for domestic gold production today. He said it would disrupt the monetary system of the non-Communist nations.

The witness, Robert V. Roosa, Under Secretary of the Treasury for Monetary Affairs, appeared before a subcommittee of the Senate Interior and Insular Affairs Committee. The panel is conducting hearings on legislation to provide a subsidy of up to $35 on ounce. This would be in addition to the $35 an ounce paid by the Government for gold.

Senator JOHN A. CARROLL, Democrat, of Colorado, is the chairman of the subcommittee. He said today that incentive payments were needed to stimulate domestic gold production.

But Mr. Roosa declared:

"Ours is the only currency that maintains the link between money and gold; we do that by standing ready to purchase and sell gold at the fixed price of $35 per ounce.

"The monetary system of the entire free world is hinged to the interconvertibility which we maintain between gold and dollars at that price. Any form of subsidy to American gold production would impair that relationship."

A subsidy "would be construed by the rest of the world as evidence that devaluation was underway," he said.

Mr. GRUENING. Mr. President, I confess that it is difficult to report in a detailed fashion the proceedings from the many congressional hearings and it is therefore of great value that the hearings are printed and made available to the general public. However, since the hearings on Senate Joint Resolution 44 sponsored by our able colleague from California, CLAIR ENGLE, are only in progress and will not be printed until their conclusion, I should like at this time to highlight some of the findings of the June 8 hearing for the information of the Senators who could not be present and for all other parties who wish to keep our gold reserve strong.

A certain unvarying monotony appeared in the testimony of Under Secretary of the Treasury for Monetary Affairs Robert V. Roosa. Mr. Roosa represented Secretary of the Treasury Dillon and came authorized to speak for the Department. I feel confident that the Under Secretary is familiar with Senate Joint Resolution 44 which in no way affects the Government fixed price of $35 an ounce. Furthermore, I and others of the Congress have suggested that the resolution might be amended to provide unequivocal assurance that the United States would continue to buy or sell gold at $35 an ounce if such assurance were judged to be in the national interest. In fact our able and knowledgable colleague, Senator FRANK CHURCH, of Idaho, suggested that the President could, if he deemed it proper, issue a statement for international consumption to give the assurance of a firm gold price. And it seems to me that the word of the President of the United States is the strongest possible assurance for peoples of all nations that this Nation intends to keep the price of gold at its present level.

But I will confess that throughout the June 8 hearing and on previous occasions the Treasury Department was unable to provide a single solution to the crisis in which the gold-mining industry finds itself.

Let us examine some of Under Secretary Roosa's remarks. He starts by noting that he would welcome an opportunity to discuss the problem, and thanks the chairman of the Interior and Insular Affairs Committee [Mr. ANDERSON] for supplying the Treasury with a copy of the previous day-long hearing on Senate Joint Resolution 44 at which time representatives of the industry testified.

The Under Secretary told the committee that in response to a letter from Senator ANDERSON the Treasury Department more than a year ago stated that it opposed the enactment of the proposed resolution. On June 8 he testified at length. I ask unanimous consent that his remarks be reprinted in the RECORD at this time.

There being no objection, the remarks were ordered to be printed in the RECORD, as follows:

Mr. ROOSA. And, despite our best efforts to be as cooperative as we could, we studied the March hearings carefully, we have discussed these matters further with public officials and with representatives of the gold-mining industry, and have, indeed carefully reexamined the role of gold in our own monetary system, but we have not changed our view.

It seems to us that the usual reasons for urging gold subsidies in other countries or for urging subsidies to other industries in this country are not applicable to gold in the United States. This cannot be viewed simply as a case of a marginal or depressed industry seeking relief from the compelling pressures of economic change. Gold is a unique metal. The dollar is a unique currency. Ours is the only currency that maintains the link between money and gold; we do that by standing ready to purchase and sell gold at the fixed price of $35 an ounce.

The monetary system of the entire free world is hinged to the interconvertibility which we maintain between gold and dollars at that price. Any form of subsidy to American gold production would impair that relationship.

An understandable, compassionate effort, in the spirit of which we can all share, to assist a relatively few people to keep or obtain employment in the gold mining industry—desirable as employment there would be, or their employment, in any event—that effort, instead of helping those in the gold mining industry, would, in our considered and deliberate judgment, disrupt the monetary system upon which not only their own livelihood, but also that of all the rest of us, depends.

To us, it seems there is no compensating advantage in the promise that subsidies would produce a vast enlargement of the existing gold stock. The fact is that even if productive capacity would achieve the most optimistic estimate of the Department of Interior, American facilities could not in less than a century add—these are additions—to our gold production the amount of gold contemplated by the present terms of Senate Joint Resolution 44. But even if that total could by some alchemy be produced within a single year, it could not begin to offset the losses to the world economy that would be created by devaluation of the dollar. And in blunt, simple terms, if the U.S. Government should add an unprecedented subsidy to the official $35 price for gold, such action would be construed by the rest of the world as evidence that devaluation was under way.

I would be glad to discuss further any aspects of this question relating to the function of gold in the world's monetary system, along whatever lines the chairman and members of this committee may wish to pursue. But I would stress, before we begin, that I can give you full assurance, based on intimate, continuous, extensive contact with financial officials of most of the leading countries of the world that a step of the kind contemplated by this resolution would be regarded as synonomous with a declaration of intent to devalue the dollar of the United States. That is why the Treasury Department is opposed to this resolution.

Mr. President, I have cited the Under Secretary's opening remarks at length in order to give as clearly as possible a picture of the inflexibility which confronts members of the Senate Interior and Insular Affairs Committee and the gold mining industry as they try to keep U.S. gold reserves firm and as they seek to keep the industry which provides us with our gold supply alive.

In the questioning which followed, a number of facts were established.

First. Senator JOHN CARROLL, chairman of the subcommittee, ascertained that not even the Treasury Department knows the productive capacity of the Soviet Union. Let me quote further from the transcript of the June 8 session:

Senator CARROLL. All I am asking is whether or not the Soviet Union also uses gold.

Mr. GRUENING. After some discussion, Mr. Roosa was asked by Senator CARROLL:

What are they producing?

Mr. ROOSA. There are estimates, but no one knows. We do know what they sell each year into the outside world, and that figure ranges between $200 million and $300 million a year.

Senator CARROLL. Between $200 million and $300 million a year?

Mr. ROOSA. $200 million and $300 million; yes, sir.

Senator CARROLL. That is freshly minted gold, do you think, being sold by the Soviet Union on the world market?

Mr. ROOSA. Yes, sir. Whether it is out of new production or accumulated stocks, it is impossible to tell.

Senator CARROLL. Do you know what our production is or was in the last year?

Mr. ROOSA. Yes. Ours is running roughly at the rate of $60 million a year.

Senator CARROLL. Then can we assume from that, is it a safe assumption to say that they are producing or at least putting on the market three times as much as we are?

Mr. ROOSA. Certainly, in terms of what they are putting on the market, that is true, yes.

The colloquy as it developed emphasized that our country apparently does not know how much gold is produced in the Soviet Union. It further developed that the Soviet Union is placing on the world market between $200 million and $300 million a year. Our gold production is $60 million a year.

It is not difficult to compare these figures and arrive at a 5 to 1 or nearly 3 to 1 ratio—a ratio not in our favor.

Shortly thereafter, Mr. Roosa noted that the Union of South Africa produces approximately $800 million a year and Canada produces roughly $150 million a year. Mr. Roosa also said:

Well, both Canada and South Africa have subsidies in the form of direct incentive payments as well as in preferential tax treatment.

Later in the hearing the distinguished minority whip, Senator THOMAS KUCHEL, of California, who is a cosponsor of Senate Joint Resolution 44, asked Under Secretary Roosa if the Treasury Department had any recommendations that it might make to the subcommittee to help the gold mining industry of America in any fashion. Mr. Roosa's reply was direct:

Mr. ROOSA. No, sir. We explored this matter with, I feel, thoroughness, and the same sympathetic consideration that you bring to it—I hope we have.

It is our feeling that the problem of gold mining, as distinct from all other kinds of mining—you may know that the Treasury Department did, in the case of lead and zinc, give its concurrence to the proposed legislation which has been authorized but for which no money has been appropriated yet to provide some assistance to the smaller, marginal producers.

In the case of any other metal, where there were similar problems we would take the same approach. But in the case of gold, because of its special nature, we feel there is no alternative; that no special measures can be taken that would be aimed at gold as such; and that it is possible that the general workings of the changes we have proposed in the tax regulation and legislation may have benefit to gold mining as to all other forms of productive industry.

But to deal with gold mining specially and alone, we are unable to come up with the kind of helpful suggestion that in our hearts we would just as much like to do, as I know you do, sir.

Senator KUCHEL. Mr. Secretary, all I can say is that I rather bitterly regret the position of the Treasury Department.

I have listened to the answers which my colleagues from Colorado elicited.

This is a difficult problem, I understand that.

This committee does not want to do anything to create any panic situation anyplace around the world.

But it is very difficult for this Senator to understand the basis and the reasoning on which purchases of gold that are made abroad with all the elements of cheap labor that are involved, and, at the same time, we turn our back on the American gold industry.

Insofar as I am concerned, I think the consensus of this committee this morning, of the Senators who are here, is just about as I speak, and I do believe that the time has come for the Congress to indicate that it does desire to take some steps to help the domestic American gold mining industry.

Senator KUCHEL's comments are well taken.

But the unvarying inflexibility of the Under Secretary's replies made it impossible to develop a new approach.

Senator HENRY DWORSHAK, of Idaho, pointedly asked Mr. Roosa:

Would the Treasury Department recommend that the President veto the bill?

This is the response:

Mr. ROOSA. Yes, sir.
Senator DWORSHAK. The resolution.
Mr. ROOSA. Yes, sir.

Such responses while making the issue crystal clear, I suggest, do little to encourage the mining of new gold.

Senator ALAN BIBLE, of Nevada, offered another suggestion to Mr. Roosa:

Senator BIBLE. The suggestion has been made from time to time to this committee that it would be helpful to the gold mining industry in rehabilitating the gold mining industry if the United States would permit the holding and trading of gold as a free commodity.

What is the Treasury position on that?

Mr. ROOSA. Well, sir, we are a very negative lot, I am afraid. "We are opposed to that, too."

Later in his reply to Senator BIBLE's question, Mr. Roosa said:

It is our judgment that gold has acquired such a special status as the monetary metal that it cannot be subject to either the procedures or the understandable reasons for trading that would apply to any other commodity.

When Senator BIBLE asked if the Treasury Department planned to make some recommendation as to the proper depletion allowance for gold, Under Secretary Roosa responded that if there were consideration of such a proposal it would come before the end of August, he hoped.

The feeling of the committee seemed properly expressed when Senator CHURCH commented:

Senator CHURCH. I do not quite understand how depletion would be very helpful, whatever change might be made in the schedules, if the fact is that we cannot now mine gold profitably at $35 an ounce.

There is nothing to deplete, is that not true?

When Senator BIBLE asked if there were any way for the United States to build up its domestic gold reserves that would not shake the monetary system, Under Secretary Roosa replied:

Not that we have been able to discover, sir, because the interpretation given to this is that the U.S. Government would, in some official way and public way, have indicated that there is something wrong or unsupportable about the $35 price.

And, as I said, we have to be impeccable and uniform in insisting that we take no action that raises any question about that.

Senator BIBLE. The sum and substance, then, about what you are saying is that you are in complete disagreement with what the Western members say?

Mr. ROOSA. Yes, sir.

It is at this point in the hearing that the able chairman of the Senate Interior and Insular Affairs Committee [Mr. ANDERSON] began his questioning of the witness. Recall that Under Secretary Roosa had said:

We have to be impeccable and uniform in insisting that we take no action that raises any question about that.

The "that" to which he referred is the $35 price paid for an ounce of gold, a price established 28 years ago when prices of materials and labor were considerably lower.

Senator ANDERSON. You say it would have to be impeccable and uniform?

Mr. ROOSA. Yes, sir.

Senator ANDERSON. Now, what about the cotton situation. We give a little extra on cotton by support price. Does that affect the world price?

Mr. ROOSA. No, sir. This is the special, unique problem.

Senator ANDERSON. Oh, but we must be uniform and impeccable, now.

Mr. ROOSA. I am talking about the gold only, sir.

Senator ANDERSON. You are just impeccable and uniform on gold?

Mr. ROOSA. We like to be in all matter, but—

Senator ANDERSON. But only in gold?

Mr. ROOSA. But with respect to gold, it is an absolute; yes, sir.

Senator ANDERSON. Why do you use the term "uniform." You mean "unique," do you not?

Mr. ROOSA. Yes.

Senator ANDERSON. Nothing like it?

Mr. ROOSA. That is right, sir, yes.

Senator ANDERSON. That is right?

Mr. ROOSA. Yes, sir.

Senator ANDERSON. Now, you were asked a question a while ago and I swear I could not understand what you said. I apologize for that.

Mr. ROOSA. Well, I apologize.

Senator ANDERSON. The acting chairman of this committee asked you a question. He wanted to know whether or not there had been a flow of gold outside the United States as a result of the stock market crash. That could be answered yes or no, but you did not answer quite that crisply. Could you answer it again?

Mr. ROOSA. No.

Senator ANDERSON. You could not?

Mr. ROOSA. There has not been, no, sir.

Senator ANDERSON. There has not been?

Mr. ROOSA. No, sir.

Senator ANDERSON. Therefore, the flow of gold does not depend upon all these things we have been talking about, does it?

Mr. ROOSA. There are differences. I understand your question to be whether there was any significance or definable relation between the recent stock market decline and the flow of gold.

Senator ANDERSON. No; I did not ask anything about the relationship. Has there been a flow of gold as a result of the stock market break?

Mr. ROOSA. And the answer to that, sir, is no, there has not.

Senator ANDERSON. Therefore, the flight of gold was not related to the fact that stocks were too highly priced, was it?

Mr. ROOSA. This is perhaps too soon to say, but, in any immediate sense you must remember that the action to draw gold from the United States is taken by central banks. The central banks base their judgments sometimes on elements that are different from the private community. There has, of course, been, not gold, but some outflow of funds through foreign selling, much less than one might have thought from the newspapers, but there has been some, Senator ANDERSON. Now, those funds, when they flow out, may eventually choose to take gold, but that is a time lag, and we cannot tell about that yet.

Senator ANDERSON. Could this flow of funds have been related in any way to the short-term price of Government money, to the Government bond situation? The Treasury is sort of keeping the price at 2.70 is it not?

Mr. ROOSA. As close as we can.

Senator ANDERSON. Where it will only cost the Government 2 percent to borrow, you still boost it up to 2.70 in order to keep the money here, do you not?

Mr. ROOSA. Yes, sir.

Senator ANDERSON. How do you explain that? Is that a subsidy?

Mr. ROOSA. The only way I can explain it is that in every other country in the world, except Switzerland, the rate is considerably higher, and——

Senator ANDERSON. But if we are trying to borrow billions of dollars and are talking theoretically, we are trying to balance the budget.

Mr. ROOSA. Yes, sir.

Senator ANDERSON. Now, if the money market goes down to about 2 percent, where it wants to go, would not the Government save millions of dollars a year?

Mr. ROOSA. No, sir.

Senator ANDERSON. No?

Mr. ROOSA. No.

Senator ANDERSON. If you borrow money at 2 percent instead of paying 2.70, does that not save money?

Mr. ROOSA. That is only part of it, sir, in my view.

This exchange of information continued at length and I should like now to recount the valid and interesting conclusion drawn by Senator ANDERSON.

The Senator from New Mexico said he became interested in the bolstering of short term money because of the inconsistency in thinking revealed. He commented:

Senator ANDERSON. You think it is all right for the Government to pay more money to these people, mainly banks, to have this short-term money available, but it is a horrible thing if you give a gold miner a chance to live.

Never give a gold miner a chance or a lead and zinc miner, but just take good care of the banks.

I never could follow how that contributes to the welfare of the country.

You were asked question after question. You say, We are negative on this; we are negative on that. How in the world does a subsidy that might be given to a producer of gold frighten somebody in some other land? You say they think we are going to go off this and change completely and devalue the dollar.

Why?

We did not devalue the dollar when we put it in cotton, and there is more money tied up in cotton, almost, than there is in gold.

Billy Sol Estes got enough to start two or three banks. I do not see why it is so awful to think about the gold miner. We do not have very much in our great State, but I was born and raised in South Dakota where they had a little bit at that time.

Now, you have mentioned the fact that you have something to do with lead and zinc, and in your attitude toward lead and zinc you have been uniformly against anything that would really help the producers of lead and zinc * * * the mines are closing down one by one. When they all close down, you can write off lead and zinc. When the gold mines all close, you can write that off. But is that the best way to help the American economy?

These points which were raised by Senator ANDERSON were not satisfactorily answered by the Under Secretary. How can the Treasury Department subsidize some problem areas with obvious alacrity and yet ignore other pressure points?

When it came my turn to testify, the witness, Mr. Roosa, admitted that no other industry had been subject to such stringent limitations as had the gold mining industry.

I looked into a number of cost of living increases which had occurred while the price for gold remained stationary. I found no commodity or service price of 1934 exists at the same level today as in 1934.

Some price increases were as much as 717 percent. Mr. President, I ask unanimous consent that a tabulation of these increases containing the commodity, its 1934 price, its 1962 price, and the percentage of price increase be printed in the RECORD at this point in my remarks.

There being no objection, the tabulation was ordered to be printed in the RECORD, as follows:

*Cost of living increases while the price for gold remains stationary*

| Commodity | 1934 price | 1962 price [1] | Percent price increase |
|---|---|---|---|
| Bread, loaf, 1 pound | 7 cents, A&P | 21.1 cents, CPI | 201.42 |
| Milk, quart | 13 cents, Nation-wide | 24.9 cents, CPI | 91.53 |
| Flour, 5 pounds | 27 cents, A&P, Pillsbury | 56.2 cents, CPI | 108.14 |
| Chicken, 1 pound | 29 cents, fryers | 40.4 cents, CPI | 93.31 |
| Pork chops, 1 pound | 27 cents, A&P, center cuts | 87.4 cents, CPI | 223.70 |
| White potatoes: | | | |
| 5 pounds | 15 cents, Idaho baking | | |
| 10 pounds | 15 cents, regular A&P | 55.8 cents, A&P, CPI | 272.00 |
| Corn | 2 No. 2 cans, 23 cents, Piggly-Wiggly | 1 No. 303 can, 20.2 cents, CPI | 75.65 |
| Tomatoes | 1 medium can, 8 cents, A&P | No. 303 can, 15.8 cents, CPI | 97.50 |
| Eggs, 1 dozen | 29 cents, A&P | 2 for 85 cents, A&P (large size) | 46.55 |
| Apples | 3 pounds, 13 cents, cooking; 17 cents, Delicious | 1 pound, 13.7 cents, CPI | 1.94 |
| Cheese, 1 pound, American | 21 cents, A&P | 49 cents, sliced, A&P | 133.33 |
| Lard, 1 pound, Crisco | 19 cents, A&P | 36 cents, A&P | 89.47 |
| Coffee, 1 pound | 19 cents, A. & P., 8 o'clock | Pound can, 71.2 cents | 274.74 |
| Butter, 1 pound | 31 cents, A. & P. | 76.2 cents, CPI | 145.81 |
| Man's winter suit | $25, Hecht's | $55–$115, Hecht's | 120.00 |
| | $23.50 Raleigh's | $69.50–$135, Raleigh's | 195.74 |
| Woman's everyday dress | $2.95 Palais Royal | $3.99, Woodward & Lothrop budget store | 35.25 |
| Car, Chevrolet | $625, Master 6 sedan, Taylor Motor Co | $2,402.94, Biscayne 6 sedan, Hicks Chevrolet | 284.46 |
| Room and board | $35 a month | $90 a month | 157.14 |
| Canned spaghetti, 15½-ounce can | 5 cents, Phillips | 2 for 29 cents, Safeway, Franco-American | 190.00 |
| California oranges | 2 dozen, 49 cents | 74.5 cents a dozen, CPI | 204.07 |
| Season ticket to National Symphony, 8 concerts | $3 | $6 plus $5 dues, Prince Georges series | 272.72 |
| Ground beef, 1 pound | 18 cents, Piggly Wiggly | 51.5 cents, CPI | 186.11 |
| Electric iron | $1.95, Kann's Universal | $7.77, Sears', Kenmore | 298.46 |
| Jewelry: | | | |
| Gold bead necklace | $70, Galt & Bros., Inc. | $100 | [2] 30.00 |
| Gold cuff links | $50, Galt & Bros., Inc. | $65 | [2] 30.00 |
| 14 carat gold ring | $50, Galt & Bros., Inc. | $60 | [2] 30.00 |
| Man's hat | $5, $4 | $9.95, $11.95, Hecht's | 139.00 |
| Lamb, 1 pound | 21 cents | 49 cents, Safeway, shoulder cut | 133.33 |
| Men's shoes | $5, Hecht's | $17.95, Hecht's average price | 259.00 |
| Wilson Line (ride to Mount Vernon) | 50 cents, round trip | $2.75, round trip | 450.00 |
| Rye or bourbon, case of 12 quarts | $11.95, Star Liquor | $38, Star Liquor Co | 217.99 |
| Calves liver, 1 pound | 17 cents, Swifts | $1.39, Safeway | 717.65 |
| New home in Foxhall Village, Washington, D.C., 7 rooms | $8,950–$9,250 | $32,500–$50,000 | [2] 263.10 |

[1] Consumer Price Index (CPI), U.S. Department of Labor, January 1962. Prices for 1934 obtained from the Washington Post (September 1934). Remaining prices were obtained from personal phone contact, stores listed above have headquarters in Washington, D.C.

[2] Approximate.

NOTE.—Mining equipment cost has increased 190 percent since 1934 according to information supplied by the industry.

Mr. GRUENING. Mr. President, gold is gold, I agree. But facts are facts.

I have suggested that the position of the Department of the Treasury is like that of the leaf on the quaking aspen tree which trembles and quivers even when there is no breeze and no apparent cause. Secretary Roosa appears honestly to believe that a subsidy for newly mined domestic gold paid to our miners would create a psychological situation, tending to instill alarm and apprehension in financial circles around the world.

I have seen no scintilla of proof thereof and whether we legislate and act for ourselves or are led docilely down that garden path by others who are, perhaps, more interested in their own well being.

If the nations of the world cannot be assured by a statement from our President that a subsidy for newly mined gold in no way alters the price of gold, then one may wonder whether our world position is not molded on shifting sand.

I suggest that it is the Treasury Department which, by voicing its fears, is spreading this alarm and apprehension as it goes about intimidating those who inquire, saying disastrous worldwide consequences will ensue if our gold miners are subsidized to save them and their industry from economic extinction.

## ALASKA DAIRY PRODUCTION INCREASES

Mr. GRUENING. Mr. President, the largest agricultural industry in Alaska today is dairying, and the State division of agriculture has announced that 1961 was another record year for Alaska dairymen.

Total value of farm production in Alaska last year was estimated at $5,703,000, of which about one-fourth was used by farm families. Milk represented 43 percent of the value of the State's farm production, potatoes 14 percent, and eggs 8 percent.

According to information contained in a news story appearing in the June 16, 1962, issue of the Anchorage Daily Times, dairy production increased 17 percent in 1961 over 1960. This is encouraging news because the agriculture potential in Alaska is generally unknown.

The dairy production figures reported by Acting Director of Agriculture George Crowther are modest when compared to the production of the great dairy States. However, I do wish to applaud the dairymen of my State for their continuing efforts to supply as much of the milk needs within the State as is possible.

We of Alaska must today import some 90 percent of our foodstuffs. We are working toward decreasing that figure and to producing within the State more of the products which can grow in the rich soils of the area. To do this will take time.

With the help of the U.S. Department of Agriculture the soils of the State are being sampled so that the approximate number of acres suitable for farming will be known. Estimates today of tillable soil acreage or acreage suitable for pastures vary astonishingly.

The dairy industry in my State is receiving valuable assistance from such Department of Agriculture agencies as the Farmers Home Administration which is making available long-term, low-interest credit enabling dairymen to modernize and in some cases expand their facilities. At this point in the State's agricultural history this type of assistance is

needed. Its value cannot be judged in mere dollars and cents.

To encourage long-range development of the State's agriculture Senator E. L. (BOB) BARTLETT introduced S. 2805 and I cosponsored the legislation. Known as the Alaska Farmland Development Act of 1962, this bill would make possible a program of planned land development. Its total cost, excluding administrative costs, could not exceed $1,250,000. Expenditure in any one year would be limited to $125,000.

The program is modest.

Favorable reports have been received on S. 2805 by the Senate Committee on Agriculture and Forestry which is considering the legislation. I ask unanimous consent that reports on S. 2805 made by the Department of Agriculture and the Department of the Interior and the news story from the Anchorage Times be reprinted in the RECORD following my remarks.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF AGRICULTURE,
*Washington, D.C., May 24, 1962.*

Hon. ALLEN J. ELLENDER,
*Chairman, Committee on Agriculture and Forestry, U.S. Senate.*

DEAR MR. CHAIRMAN: This is in reply to your request of February 7, 1962, for a report on S. 2805, a bill to provide for a program of agricultural land development in the State of Alaska.

This Department recommends that the bill be passed.

The purpose of this bill is to provide for a program of land development which will assist agricultural producers in the State of Alaska to develop and utilize more effectively the productive capacity of the State's land resources for agricultural purposes. The bill would authorize the Secretary of Agriculture to formulate and carry out a land development program under which payments or grants would be made to agricultural producers in Alaska for carrying out specified farmland development measures. Such measures may include, but would not be limited to, clearing, draining, shaping, and otherwise conditioning land for the production of crops or for pasture. In making this assistance available, the Secretary would have authority to enter into agreements with agricultural producers extending for a period of years.

Provision is made for utilizing the farmer committees established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act in the administration of the proposed program. The program authorized in this bill would be in addition to other programs in the State of Alaska now provided by law. There is authorized to be appropriated, without fiscal year limitations, a maximum of $1,250,000 for the entire program, excluding administrative costs, but not to exceed $125,000 is to be expended in any one program year.

We believe the program authorized in this bill is a desirable long-term approach in the needed expansion of agriculture in Alaska. The agricultural economy of the State has not kept pace with its rapid growth in population. Data from the Bureau of the Census show that the population of Alaska increased by 75 percent between 1950 and 1960. While the population as a whole is still predominantly rural (62 percent rural to 38 percent urban), the urban centers increased by 150 percent, as against less than 50 percent in the farming areas.

At present, a high proportion of the food consumed in the State of Alaska must be imported. Such importation is costly and acts as a deterrent to orderly economic growth. Lack of local agricultural production could also pose serious problems in maintaining the health and well-being of the people in this strategic area of national security and defense.

The Department recognizes the need for building a stronger agricultural base in Alaska and believes that the proposed legislation would prove a valuable and practical addition to other programs now in operation in the State. There are ample land resources which could be developed into family-type farms as economic units of production under the assistance authorized in this bill. Such development would prove of value not only to the people of Alaska but would serve the national interest by providing the means by which Alaska's growth would be better assured in an orderly and well balanced manner for the benefit of the Nation as a whole.

Conditioning land for production in Alaska is expensive because of high labor and equipment costs. The program authorized in this bill would provide for the development of probably 20,000 acres during its authorization, with a maximum in any year of 1,500 to 2,000 acres, assuming a cost-sharing arrangement whereby landowners would pay a part of the cost. This amount of land would help to only partially fill the gap between food needs and supply in the State. It would not affect materially the total demand for agricultural products. The demand for fresh produce (vegetables, and dairy and poultry products) is so pressing that expansion in farming would be expected to take place in those directions. The expected expansion would not be great enough to offset the expanded need for these products for the projected increase in population.

It is believed that the enactment of this proposed legislation would result in a total need for $1,250,000 additional for the entire program, but that an initial appropriation of about $125,000 would be sufficient for the first year after the bill is enacted. Since the presently established Agricultural Stabilization and Conservation Committees may be used to operate the program, the additional administrative costs would be much less than if a new organization were required.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

ORVILLE L. FREEMAN,
*Secretary.*

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U.S. DEPARTMENT OF THE INTERIOR,
*Washington, D.C. May 31, 1962.*

Hon. ALLEN J. ELLENDER,
*Chairman, Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.*

DEAR SENATOR ELLENDER: This responds to your committee's request for a report on S. 2805, a bill to provide for a program of agricultural land development in the State of Alaska.

We have no objection to the enactment of the bill.

The bill states a need to promote the agricultural land resources of the State of Alaska and is intended to provide a program to assist farmers in developing and utilizing more effectively the land resources in Alaska for agricultural purposes. This bill further provides that the Secretary of Agriculture is authorized to formulate and carry out a land development program which envisages the making of payments or grants to agricultural producers in Alaska for carrying out farmland development or treatment measures, including, but not limited to, clearing, draining, shaping, and otherwise conditioning land for the production of crops or for pasture. The Secretary of Agriculture, under the bill, would also be authorized to (1) enter into agreements with agricultural producers for a period of years; (2) issue appropriate rules and regulations; and (3) utilize the committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended, 16 U.S.C. 590h(b).

The bill also authorizes appropriations for such sums as may be necessary to carry out the act, without fiscal year limitations. The total cost of the program (excluding administrative costs) could not exceed $1,250,000, and for any program year could not exceed $125,000. The program envisaged by the bill would be in addition to, and not in substitution of, other programs in Alaska authorized under any other law.

We recognize that many difficulties impede agricultural development in Alaska. Studies by the Alaska Agricultural Experiment Station indicate that the limitations on production involve, in addition to on-the-farm problems, transportation, processing, packing, and marketing facilities. The cost of conditioning land in Alaska is an expensive operation. Labor and equipment costs are very high.

Although the program authorized by the bill would affect our responsibilities indirectly, we favor full development of the natural resources of Alaska in accordance with sound conservation principles.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

JOHN A. CARVER, JR.,
*Assistant Secretary of the Interior.*

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[From the Anchorage (Alaska) Times, June 16, 1962]

DAIRY PRODUCTION IN ALASKA SETS RECORD

Reports from the State division of agriculture in Palmer state that 1961 was another record year for Alaska dairymen. Some 23.5 million pounds of milk were produced, or enough to fill nearly 11 million quart containers.

Last year's production showed a 17-percent increase over 1960.

"Dairying continued to be the State's largest agricultural industry, and, by far the greatest single source of farm income," said George Crowther, acting director of agriculture. "In 1961, more than $1 out of every $2 in cash receipts from farm products was a dairy dollar."

He noted that farm receipts total $4.3 million, of which $2.3 million or 53 percent was from milk sales.

Of the estimated 3,200 milk cows in Alaska on January 1 this year, 2,430 of them were in the Matanuska Valley area. The Matanuska population of milk heifers was 460, and milk heifer calves 400, while the total State count was 600 for each.

The report states that of the $2.3 million of milk sales in the State in 1960, some $1.9 million came from the Matanuska area.

Milk sales in the valley have nearly tripled since 1953 when $665,000 was recorded.

At the beginning of this year, milk cows in Alaska were valued at $1.4 million, of which some $1.1 million were in Matanuska Valley.

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## LET US STRENGTHEN OUR NATION THROUGH ENACTMENT OF THE VETERANS' READJUSTMENT ASSISTANCE ACT.

Mr. GRUENING. Mr. President, in his now famous inaugural address, President John Fitzgerald Kennedy said:

In the long history of the world, only a few generations have been granted the role

of defending freedom in its hour of maximum danger.

Later, as he concluded, the President uttered these words:

And so, my fellow Americans, ask not what your country can do for you. Ask what you can do for your country.

Our fellow Americans have responded nobly to this suggestion.

Because we live during what is a continuing century of emergency it has been necessary for the President to recall to active duty many servicemen. In so doing he has of necessity had to interrupt the personal lives of many Americans. Men just starting in business, or men starting anew in business after earlier interruptions caused by other "hot" emergencies and I refer, of course, to World War II and the Korean war.

What of these veterans and what of our responsibility to them?

Pending on the Senate Calendar is a bill which I regard as "must" legislation. It is S. 349, the cold war bill.

The cold war bill which would provide readjustment assistance to veterans who serve in the Armed Forces between January 31, 1955, the cutoff date for the Korean conflict, and July 1, 1963, the termination date of the present draft law has been pending on the Senate Calendar since August 10, 1961.

This legislation would offer educational opportunities to 5 million young Americans serving this country during the period from January 31, 1955, to July 1 of next year.

The concept is not revolutionary.

As Senator RALPH YARBOROUGH, my able colleague from Texas, has pointed out earlier this month:

Of the more than 15½ million veterans of World War II, 7.8 million went to school under the GI bill.

Now how did these men and women utilize the assistance provided them in the GI bill?

Well, 29 percent attended college; the other 71 percent went to high school, vocational school, or business college, or took on-the-job training, or took advantage of various other types of educational facilities, according to information available to Senator YARBOROUGH.

Senator YARBOROUGH is the chief sponsor of S. 349.

The bill has bipartisan support. Its cosponsors number nearly 40. I am proud to be one of them and I should point out at this time that approximately 600 Alaskan veterans could benefit were this important legislation called up and subsequently approved by the Congress.

I ask unanimous consent that part of my testimony on behalf of the bill be reprinted in the RECORD at this point in my remarks.

There being no objection, the excerpt from the testimony was ordered to be printed in the RECORD, as follows:

Our continuing recognition of the need for extension of universal military training and service requires continued recognition of responsibility for assistance to the men whose services are required by the Armed Forces.

Although no current armed conflict exists for which our forces are required, the interruption to a man's career is no less serious when his services are needed by the Armed Forces during a period of cold war than during a period of actual conflict. In a sense it might be said that service in the absence of armed combat between nations is somewhat more of a sacrifice than that performed at a time when the need is dictated by war. Every good American is or should be prepared to enlist once war has been declared.

Men now drafted into the Armed Forces are still in need of assistance in obtaining an education which will prepare them for the careers of their choice. Men whose service has been required during the period since the Korean conflict should not be discriminated against with respect to Government assistance for education merely because of the dates during which they served. It is just as true of post-Korea service as of any other period of service in the Armed Forces that the time spent as a soldier, sailor, airman, or marine could not have been spent achieving an education. It is just as true that men whose service has occurred since the Korean conflict require education and training to prepare them for jobs as was the case for men whose service occurred at an earlier date.

Mr. GRUENING. Mr. President, the world situation today has altered very little since that testimony was given on February 28, 1961. The free world has had to show that it meant what it said and this has made it necessary to call to active service, men in reserve units.

Certainly it cannot be denied that men whose service has occurred since the Korean conflict require education and training to prepare them for jobs as was the case for men whose service occurred at an earlier date.

More than 15 months ago I said:

No group in our society is more deserving and more in need of vocational rehabilitation assistance than veterans who are the victims of service-connected disabilities. Certainly eligibility for vocational rehabilitation assistance should be extended to all veterans who would be covered by the provisions of section 3 of this bill. This would include the group whose service occurred during the period between World War II and the Korean conflict as well as those who are post-Korean veterans and whose disabilities are particularly severe.

My thinking has not changed.

The Secretary of Health, Education, and Welfare, the Honorable Abraham Ribicoff, has spoken before many audiences around this Nation. He told them specifically in speeches in Oregon and California:

Those who seek, by their own words, to bury us have realized that education is the first step toward national strength and power.

I say this Nation took that first important step long before the Soviet Union but I suggest that unless we move ahead, not back, we may negate the gains achieved as a result of the GI bill.

To those who would oppose this legislation I am discussing today I would point out that this bill offers simple equality. Nothing more.

We know that this bill would offer educational opportunities to 5 million young Americans.

Past experience shows that the opportunity while available to all would be utilized by about half. This is as it should be. We do not force people to avail themselves of opportunity. But I do believe we should make the opportunity available.

Senator YARBOROUGH has said that, were it not for the engineers, scientists, and scientific personnel educated under the GI bill, this Nation today would be in much shorter supply of doctors, dentists and schoolteachers and other highly trained personnel.

I believe this point is well taken.

Can we afford to deny this opportunity to the veterans who would qualify for the proposed Veterans' Readjustment Assistance Act? I think not.

The report on the Veterans' Readjustment Assistance Act notes that the young men who will have served "will need readjustment assistance when they return to civil life."

I should like at this time to comment in greater detail on the need for readjustment assistance and I now quote directly from the Senate report on S. 349:

No person, no matter how ambitious, industrious, or talented he may be, can progress at a normal rate in our rapidly expanding economy when a series of threats to world peace calls him away to military duty for long periods of time.

A cold war GI bill (S. 1138) passed the Senate by a vote of 57 to 31 in the 86th Congress. The obligation owed these young citizens is greater than ever before. The enactment of a cold war GI bill will not only constitute an act of justice for the persons sacrificing civil gains for military duty, it will also be in the best interests of the Nation.

The veteran eligible to participiate in the Veterans' Readjustment Assistance Act will, of course, receive a monthly monetary allowance. If he is single he would receive $110 per month. If he has a dependent the rate would be slightly more, or $135. If he has more than one dependent the rate would be $160.

The eligible veteran may participate in the program on less than a full-time basis if he should so desire.

It should be stressed that although the greatest benefit to the individual under the program comes through higher education that there are other benefits. The members of the Senate Committee on Labor and Public Welfare believe that the results of continued vocational and farm training will also be highly beneficial.

At this time I request unanimous consent to reprint in the RECORD a part of the report which describes in more detail how such benefits will be provided.

There being no objection, the excerpt from the report was ordered to be printed in the RECORD, as follows:

Although the greatest benefit to the individual under this program would come through higher education, the committee is convinced that the results of continued vocational and farm training will also be highly beneficial. It is well known that our industrial and business enterprises require more skilled workers. These skilled workers could be trained under this program. Upgrading workers' skills would help eliminate labor waste which occurs when jobs are available, but the skilled workers to fill them are not. This kind of economic waste frequently exists even during periods of widespread unemployment. A survey in the State of Pennsylvania, for example, during a period of serious unemployment, disclosed that

there were jobs available in no less than 197 occupations requiring skilled and trained workers. The vocational and technical training provided by this bill would produce the skilled workers needed to fill these gaps in our economy.

Section 3 of S. 349, providing vocational rehabilitation of those veterans suffering from service-connected disabilities, will become a permanent feature of the serviceman's service-connected disability program. This feature is in contrast to the programs found in sections 2 and 4 which are related to the existence of the draft, and which have specific termination dates. The great benefits and simple equity of section 3 of the program are obvious: the Government should do all possible to restore the veteran's earning power lost in the service of his country. Some 25,000 disabled veterans will be assisted during the first 5 years in finding the most suitable and self-supporting occupation under this provision.

Section 4 of S. 349 continues for post-Korean veterans the home and farm loan guarantee and direct loan provisions of the Korean GI bill. This law as applied to World War II and Korean veterans has proved of tremendous benefit in helping veterans secure homes quickly without the usual down-payment requirements particularly onerous to those who have been in the service. The quite remarkable stability of our World War II and Korean veterans, as compared historically, is due in great degree to the approximately 5.6 million of them who were able to become homeowners through these programs. These benefits may be expected also to accrue to the post-Korean veterans. The already small costs of this program will be further reduced by the requirement of a one-half-of-1-percent fee charged to post-Korean veterans to pay for any losses to the Government on the programs, and the elimination of business and insured loans, which, because of the average younger age of the post-Korean veteran, were deemed not so suitable a readjustment benefit as the other programs. It is expected that some 1 million post-Korean veterans will be able to purchase homes and farms under this section, of which some 700,000 may be expected to be new construction.

Mr. GRUENING. Mr. President, think of it.

It is expected that some 1 million post-Korean veterans will be able to purchase homes and farms under this section.

Furthermore, it is expected that some 700,000 will be new construction.

I need not remind my colleagues that this means jobs in related industries.

Seven hundred thousand new homes, be they in the city or on farms or in suburbia, will use a vast amount of lumber, bricks, glass, electrical wiring, plumbing, tile, paint, concrete, insulation, sewage facilities, shingles. The list is endless. And these homes will be furnished and it is fair to suggest that at least some of that furniture will be new.

Mr. President, the justification for this legislation is clear. Let us not delay its passage longer. Let us act as soon as is possible to eliminate the existing discriminations in benefits for veterans based on the period of time of their services.

And let us realistically appraise the value of S. 349 which cannot be categorized. Certainly the men and women who would benefit from the bill are deserving. The interruption to their careers is as much an economic dislocation today as it was in 1949 or in 1954.

## LAKE AFTON'S BOYS RANCH

Mr. PEARSON. Mr. President, Federal legislation on juvenile delinquency, by way of review shows that the Senate Judiciary Subcommittee To Investigate Juvenile Delinquency began hearings in 1953 and continued them in subsequent years. The first Presidential request for legislation to aid the States in combating this problem came from Eisenhower in 1955. He repeated the request in his budget messages in 1956 and 1957.

The White House Conference on Children and Youth recommended in April 1960 that Congress provide matching funds for programs to prevent and treat juvenile delinquency.

Last September the Juvenile Delinquency and Youth Offenses Control Act became law. This was the first act in this field to ever pass both Houses of Congress. The law authorized Federal grants of $10 million annually for 3 years to develop techniques and train personnel to control or prevent juvenile delinquency. Under this act the Secretary of Health, Education, and Welfare was to administer the program. Areas where pilot programs were set up were expected to share some of the cost. It was expected that more than half of the $30 million authorized would be spent on pilot demonstration projects. The other funds would be used for training of personnel who would deal with juvenile delinquents and to administer the project.

To date, a number of training grants have been established, and six different planning grants are now in operation. One demonstration grant is now operating in New York City. The training grants are for the purpose of training all personnel to cope with this program; the planning grants are to develop a program; and the demonstration grant puts into effect what has been developed.

On May 11, 1961, the President, by Executive order, established the President's Interdepartmental Committee on Juvenile Delinquency and Youth Crime.

The Secretary of Health, Education, and Welfare and other administrative authorities involved in the juvenile delinquency and youth offenses control law might well look to Sedgwick County in Kansas if they need a working model on the prevention and treatment of juvenile delinquency. I would like to point out to the Senate that local pople, the people of Sedgwick County and Wichita, Kans., have the capacity and know-how to meet the needs of their young people. To emphasize my point, I would like also to identify an individual in that community who assumed his responsibility for youth and the end result of his dedication toward this principle.

A ranching plan for juvenile delinquents began as an idea of Sedgwick County's Probate Court Judge James V. Riddel, Jr., back in 1956. Today, 80 acres of sprawling green land known as Lake Afton's Boys Ranch is the living and working example of his concern turned into reality in the area of juvenile rehabilitation.

Judge Riddel met with county organizations as well as community groups to emphasize the country's need for a "ranch plan" of handling juvenile cases. Civic clubs, PTA's, church groups, and individuals were informed as to what such a plan would involve.

The people of Sedgwick County, Kans., felt responsible enough for their young people that they voted a $595,000 bond issue for the boys ranch in 1958 by a margin of 3 to 1.

The boys' ranch is a model of architectural teamwork which provides cheerful, well-integrated facilities of modern construction, in line with progressive juvenile detention policies that afford a brief but constructive rehabilitation program for boys between the ages of 6 and 16.

The housing and school building is a trilevel affair. It contains both dormitories and private rooms. And it is planned so boys can be divided by age groups. A spacious visiting room is available as a place where boys can talk with their parents. Recreation and television rooms are also provided. Family-styled dining is a feature of the ceramic-tiled dining room furnished with gay multicolored dining tables and chairs. The main building includes a medical office, classrooms, library, Bible classroom, and vocational woodwork shop.

Outside the main building are located a full-size gymnaisum, 4–H barn, and athletic field. The juvenile members of the Lake Afton Boys' Ranch have access to adjoining Lake Afton for fishing, water sports, and picnics with their parents on visitors' day.

Judge Riddel believes in a full basic education for all the boys, and this is evident in the school's curriculum where the boys are instructed by three teachers furnished by the board of education in academic subjects and vocational courses. Courses in machine shop, printing, and journalism is planned for the future.

Religious training is encouraged through Bible classes, and transportation to Sunday Mass is provided to the Catholic boys by the Knights of Columbus. Parents also have the opportunity to take their children to church.

Farming plays an important part in the rehabilitation training with acres of corn and alfalfa being planted. This demonstrates that congressional and administrative efforts should be directed toward encouraging local interest rather than embarking on further Federal plans which increase the reliance of youth, parents and committees on federally controlled programs.

It is indeed invigorating and encouraging to see the people of Sedgwick County take the initiative for the responsibility of their young people.

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## TEXTILES DESERVE A FAIR DEAL

Mr. JOHNSTON. Mr. President, a proposal has been before the U.S. Tariff Commission for 3 months which would apply an equalization fee upon any finished textile cotton goods being imported into this country for sale in competition with products made by American cotton textile manufacturers.

The purpose of applying this equalization fee of 8½ cents is to offset the reduced price for cotton goods exported to

foreign countries used in the manufacture of these products.

When a cotton mill in Japan can buy American cotton at a price 8½ cents cheaper than American mills must pay, it is only fair that if these manufactured goods are returned to the United States, that an equalization fee be applied, placing the foreign competitor, who already has cheap labor advantage, on an equal footing.

As recent as 2 weeks ago I wired Secretary of the Tariff Commission Donn N. Bent requesting early action by the Commission on this pending case. In addition, I wired the President of the United States to urge that he persuade the Commission to make an early favorable decision.

As of this date we have not received a decision. The textile industry is in great need of a favorable decision in this matter and the jobs of thousands of textile workers may depend upon how the tariff Commission rules in this matter.

One of the most excellent editorials I have seen written on this subject appeared in the Daily Mail, of Anderson, S.C., on Saturday, June 23, 1962. This editorial was entitled "Textiles Deserve a Fair Deal."

I ask that this editorial be printed in the RECORD immediately following my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

TEXTILES DESERVE A FAIR DEAL

Anderson County's economic welfare is unalterably linked with that of the textile industry.

If textiles falter the incomes of thousands upon thousands in Anderson County decline.

If all textile plants in the county were to suspend, possibly 15,000 persons would find themselves out of employment.

That's how vital textiles are to Anderson.

It is no secret, of course, that the textile industry in this area and over the Nation has seen brighter days.

Its principal thorn in the flesh today, as it has been for several years, is cheap imports, especially from Japan and, in more recent months, from Hong Kong.

There is reason to suspect that many of the goods shipped to this country from the port of Hong Kong actually originate in Communist China.

The current textile difficulty dates back a number of years to the time the Federal Government, in a "Rob Peter to pay Paul" maneuver, set out to assist American farmers in unloading their cotton surplus by reducing the export price of cotton by 8½ cents per pound, thus bringing American cotton more nearly in line with the world price.

This means that cotton mills in Japan and elsewhere are able to buy American cotton at a price 8½ cents lower than American mills are paying.

Foreign mills have continued to buy American cotton at that discount, process it into cotton goods with labor that costs only a fraction of the wages paid American textile employees, and then ship the cotton goods back into this country. Eventually the goods turn up in American stores, where they are sold in competition with American-made goods.

The price advantage granted foreign mills in the purchase of American cotton has been a veritable millstone around the neck of the domestic textile industry, including mills in Anderson County.

In 1960, for example, mills in South Carolina paid $113,312,000 more for their cotton than Japanese mills had to pay for a similar quantity of American raw cotton.

In Anderson County the difference was between $18 and $19 million—a figure, we imagine, that far exceeds the net profits of all county textile plants.

What is the solution?

Textile leaders say it rests in the hands of the U.S. Tax Commission.

It is simple, and it makes sense.

Foreign mills would still be able to buy cotton 8½ cents cheaper than the domestic price. That would keep cotton flowing from storage warehouses, and would keep farmers satisfied.

However, any finished goods returned to this country for sale would have an equalization fee attached. It would exactly offset the advantage granted of the 8½-cent Government subsidy on foreign purchases.

That proposal has been before the Tariff Commission since March 26—almost 3 months ago.

The Commission has acted upon other proposals in a matter of days. Textile leaders fear that the cotton equalization plan has been interred within Commission files.

There have been many favorable indications, numerous half-promises that aid is on its way, but nothing has happened.

In the meantime, the domestic textile situation continues to deteriorate as the flood of cheap textile imports arrive in an ever mounting flow.

It is placing American mills, including those in Anderson County, in an increasingly difficult position.

The jobs of every textile employee may be in jeopardy, should the present trend continue.

South Carolina Senators and Congressmen have not been idle. They have done all they can to get action.

Textile manufacturers, however, consider this a fight that not only involves the continued existence of mills, but is one in which textile employees, merchants who depend upon their paychecks, and all who are interested in the well-being of this good area should join.

A letter to Senators and Congressmen would show them that the public is back of this proposal.

A flood of cards, telegrams, and letters directed to Donn N. Bent, secretary, U.S. Tariff Commission, Eighth and E Streets, in Washington, D.C., might galvanize commissioners into activity.

Thousands such letters have already been written. A simple note from hundreds in this area, asking the Commission to act quickly and favorably on the textile import plan, might be effective in getting action on the part of the Commission.

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## SENATOR GRUENING ON CBS TELEVISION PROGRAM "WASHINGTON CONVERSATION"

Mr. MANSFIELD. Mr. President, yesterday I had the distinct pleasure of observing and listening to the distinguished Senator from Alaska [Mr. GRUENING] as he took part on the CBS television network program "Washington Conversation." Because I was highly impressed with what the Senator from Alaska said, I ask unanimous consent that the text of the program as broadcast over the CBS television network on June 24, 1962, be printed at this point in the RECORD.

There being no objection, the text of the broadcast was ordered to be printed in the RECORD, as follows:

"WASHINGTON CONVERSATION"

(As broadcast over the CBS Television Network, June 24, 1962)

(Guest: The honorable ERNEST GRUENING, U.S. Senate (Democrat of Alaska). Host: Paul Niven. Producer: Michael J. Marlow.)

ANNOUNCER. Join us now for a Washington conversation with a man of 75 who has been living a life rich in public service, Senator ERNEST GRUENING, Democrat, of Alaska.

The CBS Television Network presents "Washington Conversation," an attempt to sketch in some of the details of this man, ERNEST GRUENING, of Alaska. He was born in New York City, graduated from Harvard in 1907 and intended to become a physician, graduating from Harvard Medical School the year Wilson became President. He didn't practice medicine but instead went on to a career as newspaper and magazine editor and public official, and fought two decades for Alaskan statehood which came about just 4 years ago this week. Today we invite you to meet him in a personal biography, one of the Senators of the 49th State, ERNEST GRUENING.

Your host for this informal, unrehearsed "Washington Conversation," prerecorded on video tape, is CBS News Correspondent Paul Niven.

Mr. Niven.

Mr. NIVEN. Senator GRUENING, you are the first medical doctor to serve in the Senate for some 20 years. I believe you've never practiced, but somehow along the way you've delivered nine babies. How did that happen?

Senator GRUENING. Well, actually, 14. This was during my third year in medical school when the class in obstetrics gets some practical training and in those days we went into the slums which existed plentifully and we delivered babies in the families of the less well-to-do and I brought 14 into the world.

Mr. NIVEN. You haven't delivered any since, sir, on Capitol Hill or anything like that?

Senator GRUENING. Not babies of that kind. I mean, we hope to deliver other things.

Mr. NIVEN. What deflected you from medicine? You went right into journalism instead of practicing. Why did you change your mind about a career?

Senator GRUENING. Well, it was like this: my father was a distinguished physician in New York. I was the fourth child and the first and only son and it was just taken for granted that I would study medicine—the phrase was: "follow in father's footsteps." I was never compelled, I was never forced to do it, it was just taken for granted. And it was not until my third year in medical school that I began to have doubts and those doubts were not that I did not like medicine or find it interesting, but that I was interested in many other things and I had a feeling which I still have that if you want to do medicine, you shouldn't be interested in anything else.

My friends in college had gone into newspaper work. My very good friend Earl Derr Biggers, the author of the Charlie Chan stories, was dramatic critic of the Boston Traveler and on nights when there would be more than one opening he would ask me to cover the other show. I found these things very interesting and began to think that if I was interested in so many other things, economic and social problems, this, that and the other, I shouldn't be in medicine.

Mr. NIVEN. As an editor in Boston you had a run-in with Mayor James Michael Curley. What was the issue?

Senator GRUENING. I sure did.

Well, I found that Mayor Curley was doing something that was rather improper and we exposed him in the Boston Traveler, of which I was managing editor. We had gotten a censorship bill through, very unwisely. At the time a film called "The Birth of a Nation" was showing, which struck me as a film that incited race ratred and violence and we wanted to get it stopped. I think now that that was a very unwise and juvenile decision. I think we should not have censorship of that kind. But in any event we got the kind of legislation through the Massachusetts Legislature which gave the mayor of Boston, Curley, that censorship power. And then he proceeded to do nothing about this particular film but used it in other ways against other theatrical productions. And then a picture came that was called "Where Are My Children." It was rather scandalous. It dealt with abortions. The film ran half-page ads instead of the usual 1-inch theatrical advertisements daring Mayor Curley to do something about it and wondering why he didn't. We began to smell a rat. And at that time I got a tip that Curley had gone to Pennsylvania and talked to Senator Boies Penrose who was the boss of Pennsylvania and asked him to use his influence to have the picture shown in Pennsylvania where it had been barred by the board of censors. And, following this I sent a man down to see Penrose. He said, "Yes, Mayor Curley came down here to see me and asked me to have this picture shown."

"What did you do?" I asked Senator Penrose.

"Well, I called up the board of censors at Harrisburg but they said it was just too rotten and that they wouldn't reverse their decision."

So we published this story under a double headline in 144-point type "Mayor Curley Lobbied in Pennsylvania for 'Where Are My Children.'" That was considered very damaging to Curley and he brought all the pressures possible to have us apologize and retract, and he brought pressure on the Republican national committeeman, Winthrop Murray Crane, the chairman of the Republican National Committee, who was the controlling stockholder in the Boston Herald, which was the morning edition of the Boston Traveler.

And, to make a long story short, they succeeded in getting his assent that there would be a retraction, at which point I resigned.

Mr. NIVEN. How could Curley, a Democratic mayor, bring pressure on a Republican paper and Republican politicians?

Senator GRUENING. That's one of the most interesting questions, and I asked that of my immediate boss who was then the editor of the Boston Herald, and he said: "Well, I don't know." He said: "Maybe it's Otis Elevator." And I said, "What does that mean?" "Well," he said, "Winthrop Murray Crane," who was the chairman of the Republican National Committee, "is the leading stockholder in Otis Elevator and Curley is having them put into a lot of municipal buildings. That's one explanation. Another is that in national campaigns he lines up the Democratic voters in Boston for the Republican ticket."

So, it was rather shocking that a man of Crane's supposed stature could be in league with Curley, but I wasn't very realistic at that time and that's what happened.

Mr. NIVEN. I believe you were one of the first editors in the country to order that Negroes not be identified as such in news stories unless it was essential.

Senator GRUENING. I think I was. That happened in 1914 when I first became managing editor of the Boston Traveler, and I issued instructions that Negroes should not be identified as such in news stories unless their being Negroes was essential to the story.

Mr. NIVEN. And of course that practice has become widely copied now.

Senator GRUENING. Yes.

Mr. NIVEN. Then you went on to the New York Nation, the famous liberal weekly magazine, didn't you?

Senator GRUENING. That's correct.

Mr. NIVEN. Now, right now there is a postal bill before the Senate which threatens the existence of many small magazines and political weeklies. As an ex-editor, do you have any feeling one way or the other on this?

Senator GRUENING. Yes, I certainly have. Of course I have learned in my relatively brief experience in the Senate that it's unwise to state in advance what you are going to do because when a bill comes up it may have been modified; but I shall vote against any measure that is likely to put some of our magazines out of business. Magazines like Harpers and the Atlantic and others are barely getting by. I know that, and if they are going to be socked with a tremendous postal bill, they will not be able to exist and I think that would be a very serious loss and very regrettable.

Mr. NIVEN. Senator, you became interested in Alaska via Latin America, so to speak, didn't you? Wasn't your interest first in——

Senator GRUENING. Well, in a sense, yes; because my first connection with government was to be appointed the adviser to the U.S. delegation to the Seventh Inter-American Conference which took place in Montevideo in the late fall and early winter of 1933. That was President Roosevelt's first venture into Latin American affairs. I had talked to him previously about the desirability of starting what would be a good neighbor policy and ceasing our gunboat diplomacy, our armed interventions into our smaller neighbors. And, suddenly, I found myself appointed the adviser. And so I was down there, and at this Conference of which Cordell Hull was the Chairman, we did certain things. We proposed that the Monroe Doctrine be multilateralized. We sought to make it, in President Roosevelt's words, "a joint concern" of the 20-odd American Republics and not a unilateral policy as it had been. We abjured armed intervention. And we recommended the lifting of the Platt amendment from Cuba, which gave us the right to intervene. That does not look quite so good now, but it was the right thing to do in any event. Apparently the President liked my work and so a little later when this new position was created, the Office of Territories and Island Possessions in the Department of the Interior, which was to have supervision over the Federal relations of our outlying areas, I was appointed its Director.

Mr. NIVEN. Did you visit Alaska first in that capacity?

Senator GRUENING. I visited Alaska after I had been appointed because I had never been to Alaska at the time I was appointed. I visited Alaska first in the spring of 1935, and I had been appointed in September of 1934.

Mr. NIVEN. Later Mr. Roosevelt offered you the Governorship of Alaska. There was a story that you were hesitant, is that correct?

Senator GRUENING. Well, I wasn't only hesitant, I definitely declined it when it was first offered to me. I felt that it should be an Alaskan, one who was a resident of Alaska and that sending in outsiders who were then referred to, and not incorrectly as carpetbaggers, was all wrong, and I did turn it down; but the President, with his persuasive charm, felt I could be useful. He said to me, "The people of Alaska have lost touch with the New Deal. They don't know what we are trying to accomplish. You know your way around here and you can be very helpful to Alaska and I wish you'd go."

Well, when the President of the United States talks to you that way, you do it.

Mr. NIVEN. You have written that Alaska was discovered three times. What do you mean by that?

Senator GRUENING. Well, it was discovered first by Vitus Bering, a Danish explorer sailing for the czars who came to find out whether there was a separate continent or whether Bering Strait was not a reality. That was the first discovery of Alaska.

The maps of the world prior to 1741 are blank in one part only, and that is the northern west coast of North America northward from a point about halfway up the coast of California. The map there had been blank and that was filled in by Bering.

The second discovery was, of course, when William H. Seward, with great wisdom, decided that Alaska should become part of the Union.

The third discovery was the gold rush. In the interval between the purchase of Alaska in 1867 and the late nineties, Alaska was a completely forgotten and abandoned Province.

Mr. NIVEN. Congress didn't do much about it, did it?

Senator GRUENING. It neglected Alaska completely. During the first 17 years we had no government at all. Such government as there was was exercised without any legal authority by the commanding officer of the troops stationed at Sitka and when, after 10 years, in 1877, 10 years after the purchase he was called down to put down an uprising of the Indians in the Northwest, there wasn't even that semblance of government. The people became alarmed up there and appealed to their distant Government to send up some kind of a gunboat or armed vessel to overawe any possible uprisers. But Congress paid no attention whatsoever; neither did the President.

Mr. NIVEN. The Alaskans finally got a Canadian gunboat——

Senator GRUENING. They got a Canadian vessel to come in to do the job Uncle Sam's vessel should have; and when a few months later an American sloop of war came up, the captain of that vessel and his successors without authority were in effect the rulers of Alaska for the next 4 years.

Mr. NIVEN. To get back to the sale from Russia in 1867, why were the Russians so shortsighted as to sell Alaska for $7 million?

Senator GRUENING. Well, in the first place they had not made a financial success of it. They were getting to the point where they were losing money on their venture. In the next place they were afraid that the British would grab it and they preferred to have Americans, the United States, as their neighbors and they were interested more or less in expanding southward and consolidating their hold in Siberia. Those were the two reasons why they gave Alaska up.

Mr. NIVEN. Did any Russians or any Russian influence persist in Alaska?

Senator GRUENING. Very, very little. There are some Russian Orthodox churches there in Sitka and other places. There are some Russian place names there. The Russian Orthodox services are conducted in several communities but there is very little other influence. Of course these are White Russians, not——

Mr. NIVEN. They are White Russians——

Senator GRUENING. Those were White Russians and their descendants of course would be very unsympathetic with Soviet communism.

Mr. NIVEN. Does the church maintain any ties with the church in Russia?

Senator GRUENING. Just the ties of religion, no political ties.

Mr. NIVEN. Senator, is there any communication, any contact of any kind across the Bering Strait?

Senator GRUENING. Not now. There was before the Soviet regime. Some of our Eskimos who were related to Eskimos in Siberia would paddle across Bering Strait in the summertime, but that was stopped when the Iron Curtain was pulled down.

Mr. NIVEN. There is no communication; it's not possible for anybody to get into a boat and go over into——

Senator GRUENING. Well, it's possible but they would be likely to be arrested and they might get into trouble.

Mr. NIVEN. There are no immigration facilities——

Senator GRUENING. There is no traffic whatever.

Mr. NIVEN. It's one of the most unusual frontiers in the world, isn't it?

Senator GRUENING. It certainly is.

Mr. NIVEN. Are there any incidents along this border, any military——

Senator GRUENING. I know of none. Oh, in the past there were one or two incidents where people, Eskimos from Little Diomede going to Big Diomede, which is Russian, only two and a half miles away, were arrested and questioned and one American priest was rather badly treated at one time, but there have been no incidents in recent years.

Mr. NIVEN. Alaska is one-fifth the size of the continental—the rest of the United States?

Senator GRUENING. That's right. And its coastline, 26,000 miles, is longer than the combined Atlantic, gulf, and Pacific coastlines of the 48 lower States.

Mr. NIVEN. And yet your population is what—around a quarter of a million?

Senator GRUENING. No; it's a little less than that; it's about 225,000.

Mr. NIVEN. And the capacity for absorption is almost unlimited, isn't it?

Senator GRUENING. Well, I think so. Across the world in the three Scandinavian countries and Finland, in an area about three-quarters of the size, the same latitude, there is a population of over 20 million. However, conditions are different there. They have been near the great centers of population; they have markets for their products there; and they have been at it for a thousand years or more whereas Alaska is a very young country and has been off the beaten track of travel.

Mr. NIVEN. Do you think that with the development of cheaper heat and possibly human control of weather that the northern part of Alaska will become habitable, can be reclaimed?

Senator GRUENING. I think that all Alaska is habitable now. There are many illusions about Alaska's climates. People always used to ask me, "What is the weather in Alaska like?" And they would say it with distinct overtones of sympathy, wondering how we could stand the cold. And I would have to explain that in the first place you couldn't any more answer the question "what's the weather in Alaska like?" than you could ask "what's the weather in the United States like?" because we are a vast region and we have four or five different climates. We are as wide as the United States and as deep. We cross 4 time zones, just as many as the older 48 states and we would have a fifth time zone in Alaska if the international dateline were not obligingly bent westward so as to include that in the fourth time zone. And along the coast of Alaska where most Alaskans live, where my home is, for instance, near Juneau, we have a very mild winter climate because of the Japan current, the so-called Kuro-Shio which raises the winter temperatures and produces quite a bit of rain.

Now the winter temperatures in Juneau are just about like those of New York City; and Anchorage would be very much like Chicago or Minneapolis. Now when you do go north of the Alaska range, you go where there are very low temperatures that you used to read about in the Jack London stories. But it is true that not too many people are living in that region now but where they do live there, they know how to dress; their houses are well insulated, and Alaska is just as livable a place as any other part of the Union.

Mr. NIVEN. It's a big State to campaign in.

Senator GRUENING. And in addition to that, let me point this out. We do not have some of the disastrous natural phenomena that afflict the United States. Now every year several hundred people are killed in the United States by tornadoes. We have never had a tornado in Alaska. Every other year, every third or fourth year we have a terrific hurricane which hits either the Atlantic or the gulf coast. We never have those in Alaska. No one in Alaska has ever been killed by lightning. Those are some of the compensating facts that few people know about because the myth persists that Alaska is a land of snow and ice, with a savage climate.

Now, about your saying it's a difficult place to campaign in, it's difficult only because the distances are great.

Mr. NIVEN. How do you get around?

Senator GRUENING. Fly. Everybody flies in Alaska. We are the flyingest Americans. We fly between 30 and 40 times as much as other Americans.

Mr. NIVEN. That is partly because you weren't very well treated on other forms of transportation——

Senator GRUENING. That is correct because we were denied inclusion in the Federal-Aid Highway Act until we got Statehood, and now we have a lot of roads that are missing that we have to try and get, in order to catch up with the rest of the Union. And so, flying is essential.

Mr. NIVEN. You were first elected to the Senate in 1956 when there was no such Senate seat, weren't you?

Senator GRUENING. That's right. Under an odd historical precedent which was first started by Tennessee in 1796, the people of that area became indignant that the first three Congresses had not given them statehood. So they proceeded to elect two Senators, which was easier in those days because Senators were elected by the legislature, and sent them to the National Capital which was then Philadelphia to fight for statehood. And they brought it back.

The same procedure was then followed by six other States, Michigan, Iowa, California, Minnesota, Oregon, and Kansas, but the last time, Kansas, was in 1861 and most people have forgotten this. But a friend of ours had dug up this precedent, came up and presented it to the constitutional convention which was meeting in Alaska, and the delegates put it on the ballot, when the constitution which they had drafted was up for approval or disapproval, and the people voted for the proposal. And so we were called, the three of us who were elected, Alaska-Tennessee Plan Senators. From the standpoint of Alaskans we were Senators but from the standpoint of the U.S. Senate and the Congress we were nothing more than lobbyists, with a little more authority perhaps, but that was all. So the three of us, Governor Egan, who was then my colleague as a Tennessee Plan Senator, and Ralph Rivers who is now the Representative of Alaska in the House, spent 2 years in lobbying. We approached Senators and House Members and tried to persuade them that it was desirable in the national interest to admit Alaska to statehood and we succeeded.

Mr. NIVEN. You had a difficult time with President Eisenhower, didn't you?

Senator GRUENING. Yes. It was very disappointing, because back in 1950, I think it was, when he was President of Columbia, he made a ringing statement saying that quick admission of Alaska and Hawaii, and he mentioned Alaska first, would show the world that America practices what it preaches. And on the basis of that we thought we would have his support, but we didn't have it.

During his first term he was all for statehood for Hawaii but not for Alaska. We felt he had been misinformed, that someone had misled him, because he made some statements that were entirely incorrect about Alaska. He said in one statement that all the population was concentrated in the southeast corner, which it wasn't; and, that there were very few people. It's true there were very few people, but he had become opposed to it.

Mr. NIVEN. His Secretary of Interior Fred Seaton was a great friend of Alaska, wasn't he?

Senator GRUENING. He was a friend of statehood, and I was the person who first persuaded him to be for statehood.

When Fred Seaton came to the Senate he was an appointive Senator. He took the place of Kenneth Wherry who had died and was appointed to the Senate by Governor Val Peterson. And I was down here in Washington. I was Governor of Alaska at the time and I was down here lobbying for statehood. This was before we had the Tennessee Plan. I'd come down here repeatedly for that purpose. Our first statehood hearings were held in the late 40's and I went in to see Fred Seaton and I told him what I was there for. He said he was completely uninformed on the subject but would be glad to listen. And I told him why we should have statehood and he said, "well, come back in a week and meanwhile I want to talk to Joe Farrington", who was a delegate from Hawaii. When I came back in a week he surprised me pleasantly by saying, "I'm for statehood now, for both Alaska and Hawaii". And he said, "sit down and let's talk a while."

The conversation was very interesting to him, because as part of my work I had been doing some research on the history of the admission of former States, which I found very useful. I started with the previous history of Arizona and New Mexico, the last two States. They had been trying to get in for fifty years. I also discovered the interesting fact that his State, Seaton's State, Nebraska, had actually got in by fraud and I told him this story. He hadn't known that and he said, "would you mind writing this out for me." He said, "I'd like to use that in a speech."

Well, what happened was that I ended up by writing his speech. He delivered it just as I had written it and it was the only speech that he ever made while he was in the Senate. It was a strong speech for statehood for Alaska and Hawaii.

Mr. NIVEN. Senator, you are considered a strong favorite for re-election this year by impartial observers up in Alaska. Are you going to bother to campaign?

Senator GRUENING. I hope that's true. I think that that is a very unwise assumption. I've seen many good Senators go down to defeat because they assumed it was "in the bag." My good friend Bob La Follette had that very unhappy experience. He was in Washington attending to business; he was working on the reorganization bill with MIKE MONRONEY who was then a Member of the House and he thought "I'm a cinch, everybody knows me," and in the last week Joe McCarthy was out campaigning and beat him.

Mr. NIVEN. So you are going to campaign. Thank you very much, Senator GRUENING.

## EXPANSION OF FEDERAL CROP INSURANCE PROGRAM

Mr. FULBRIGHT. Mr. President, I am pleased that the Senate on Saturday unanimously passed the bill I introduced to expand the Federal crop insurance program.

This bill is meritorious and I do not know of any objection to it from any source. I became interested in the need for expanding the crop insurance program when I was contacted earlier this year by some of my constituents in southwest Arkansas who wanted to have the peach crops in their counties brought under this year's program. Upon investigation, I found that commitments had already been made for the 100 new counties that can be added each year under the existing law. No doubt many other Senators have encountered similar problems recently due to the growing success and popularity of the crop insurance program.

It will be recalled that we had a national crop insurance program from 1938 to 1947, which was not financially successful since it was attempted on such a wide scale. In 1948 this program was replaced by one which was to be operated on an experimental, limited basis. We are still conducting the insurance program on an experimental basis, but the Department of Agriculture has now accumulated sufficient data to expand it more rapidly than is possible under existing law. During this experimental period the law prohibits adding more than 100 new counties each year. This was a sensible limitation in view of the difficulties that arose under the old nationwide program.

Much experience has been gained during this 14-year trial period and it is obvious that the 100-county limit should be expanded to take care of additional farmers who desire this insurance. For the last 5 years insurance premiums have exceeded indemnities by nearly $33 million. This has permitted the accumulation of a reserve that will be available in years when the elements are not so kind.

In my own State we now have 18 programs in operation in 9 counties. Cotton is insured in all nine counties, rice in three, soybeans in four, and peaches, the newest program, in two. It is my understanding that five new counties are tentatively scheduled to be added in Arkansas next year. I know that the farmers of my State are pleased with the operation of this program and that it has saved many from financial disaster. The crop insurance program has not only proven to be a boon to the farmers by providing a financial cushion in time of crop failure, but it has also put the farmer in a much more favorable position in getting needed production credit. Bankers are happy to see their production loans backed up by crop insurance. The business community in farm areas is also the beneficiary of this program since the crop insurance checks received by a farmer who has suffered a crop loss helps to keep the local economy functioning until the next crop comes along.

This program has proved to be invaluable in protecting our farm economy. The expansion of it to enable 150 new counties to be added each year will make this protection available to thousands of additional farmers throughout the Nation who cannot be accommodated because of the existing limitation.

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## THE COMING BOOM IN IGNORANCE

Mr. MORSE. Mr. President, the editors of the Saturday Evening Post in their May 12, 1962, issue have performed a most valuable public service in bringing to the attention of their readers an editorial entitled "The Coming Boom in Ignorance." This editorial is a most lucid and persuasive argument in favor of President Kennedy's education program as it is encompassed in the various bills which have been passed by this body or which are under consideration by the Senate Committee on Labor and Public Welfare.

The thrust of the editorial is contained in its concluding paragraph wherein it is stated:

> But aid to public schools, surely the primary problem of them all, remains ensnarled and entangled on the same old hook: the question of aid to parochial and private institutions. If we are not smart enough to solve that controversy—and soon—then we cannot expect our children to be smart enough to assert American leadership for the years to come.

The editorial pinpoints the problem and provides the basic statistics upon the problem and it raises a question in the public interest which ought to be resolved. In my judgment, each Member of the House and Senate can with profit read and absorb what has been said in this splendid presentation. I therefore ask unanimous consent that the editorial to which I have alluded be printed at this point in my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

### THE COMING BOOM IN IGNORANCE

The most fearful sound of our continuing population explosion could, within the decade, be a big boom in ignorance. American education, once a legitimate source of national pride because it provided a chance at learning for almost everybody, may wind up offering less and less for anybody. Right now, alongside the old three R's, almost every school system in the United States would have to chalk the four U's: Understaffed, underequipped, underfinanced, and under par. With each passing semester the situation gets worse.

Almost 1½ years ago, in a special message to Congress, President Kennedy asked Congress for a $5,600 million aid-to-education bill. Impaled on a side issue concerning whether additional Federal assistance would be extended to parochial and private schools, the legislation died ingloriously in the House of Representatives. This year Mr. Kennedy, a Roman Catholic, repeated his plea for school legislation and once again omitted Government aid to parochial schools on constitutional grounds. Realizing that he may have to settle for half a loaf, the President has sliced his program into separate sections and has assigned highest priority to the less controversial features: funds for college construction; expanded training and more scholarships for teachers; adult education to eradicate the nearly 8 million "functional illiterates" in the United States. Already this year the House and Senate committees have spent more than 3 months tinkering with the machinery of the college-aid bill alone.

Behind the heated congressional conferences on aid to education lie these cold statistics:

This year about 4 million Americans are attending college; by 1970, 6 million will be qualified to attend if funds and facilities are available.

To accommodate those 6 million will require almost $15 billion worth of new facilities and repairs to existing facilities. (Kennedy has asked that the Government make available $1,500 million of those construction funds.)

Nearly 100,000 of the country's public-school teachers either have not been certified to teach or have not graduated from college. (We have no minimum national standard for education, let alone for teachers' credentials.)

Today American public schools are awesomely crowded because we have a shortage of 127,000 classrooms; to meet the population demands of 1970, we require 600,000 new rooms.

Every day that legislators continue their debates, 11,000 Americans are born to be fed into the school system.

The argument that Federal aid to education is reprehensible is not impressive. School systems have been—and will continue to be—supported primarily by local community property taxes and controlled by States and communities. These taxes have already ballooned more than 200 percent across the country since the end of World War II. It is cruel truth that many American communities simply cannot afford anything approaching an adequate school system given today's costs and tomorrow's population.

Federal aid in some form is an old fact of American education life. In 1785 parcels of Federal land were set aside in every township for public-school use. In the middle of the 19th century Government land grants began for agricultural schools; today there are 68 land-grant colleges. World War I prompted the Government to finance vocational training. World War II produced the famous GI bill of rights. After sputnik, we enacted the National Defense Education Act which, this year alone, provides about $200 million for training engineers and scientists. In short, we have always extended some Federal aid to education. But never has education required aid the way it does right now.

Those who would still argue that any Government assistance must at the same time include aid to parochial and private schools should immediately consider some basic arithmetic. Today there are 43 million Americans in elementary and high schools. About one in seven of those students attends a private or church institution. Without prejudice as to how the debate will finally be resolved, it seems not only unfair but unconscionable to keep an entire nation wanting for education while the church-state arguments continue interminably. Eventually the issue appears certain to wind up in the Supreme Court anyway.

Several portions of President Kennedy's educational program now stand a chance of passage during the present Congress; loans for college construction; competitive Federal college scholarships for deserving students, aid to medical and dental schools, expansion of the Defense Education Act. His program for expanded teacher training might pass. But aid to public schools, surely the primary problem of them all, remains ensnarled and entangled on the same old hook: the question of aid to parochial and private institutions. If we are not smart enough to solve that controversy—and

soon—then we cannot expect our children to be smart enough to assert American leadership for the years to come.

## TEACHING SALARIES

Mr. MORSE. Mr. President, Mr. Sidney G. Tickton in an article entitled "A Look Into the Crystal Ball" which was published in the May 19, 1962, issue of the Saturday Review, has pointed out the costs of education in the years that lie immediately ahead. I was particularly interested to note his comments at the conclusion of the article concerning the cost of higher education to the student of limited means. He says, for example:

The reason is that the typical $500 to $700 scholarship doesn't go very far these days at a private college where the room, board, and tuition already come to $2,000 or more and other expenses (including books, travel to and from home, clothes and pocket money) add up to an additional $1,000 a year, at least. As a result only 5 to 7 percent of the students come from the lowest third of the Nation's income levels. No one dares to tabulate the statistics but you don't have to be a Gallup pollster to find this out.

Where does the impecunious student with high potential find his greatest opportunity for higher education? Mainly at municipal and State colleges where he can take his room and board at home and where out-of-pocket overhead is not great. The facts are indisputable. Private colleges may not like to admit this or think of themselves as educators of only the well heeled, but the signs are that they aren't likely to be able to do very much about it in the decade ahead.

In view of the importance of this subject at the time the conferees meet on H.R. 8900, I ask unanimous consent that the article to which I have alluded be printed at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

A LOOK INTO THE CRYSTAL BALL

(By Sidney G. Tickton)

Ten years from now most of the Nation's strong private liberal arts colleges can be expected to look very much as they do today—at least on the outside. But on the inside there will be differences. Faculties will be better fed, better clothed, and better housed—because they will be better paid. Students will be sharper on the average (they will have higher college board scores than the current crop), and they will come from richer families. They will spend fewer hours in class than they do now and more time in the library, the language laboratory, and the audiovisual center. They will take fewer courses, and will spend more time on each; and there will be a lot of independent study.

Tuition will be much higher 10 years hence and can be expected to cover a greater proportion of the actual cost of a college education—in fact, full cost at many institutions for students whose families can afford to pay. Endowment income, although it will grow, will provide a smaller proportion of college income than now, and a higher percentage of the endowment income involved is likely to go into scholarships. Gifts will be even more important than they are now; at least twice as much money per year will be needed for scholarships, buildings, endowment, research projects, and, in some cases, operating subsidy. All strong private colleges will, therefore, have strong fundraising teams. These will contact alumni, local businesses and corporations, and wealthy patrons more systematically and regularly than they do today, and with much greater intensity and effectiveness.

These are the gleanings from 100 projections into the future which liberal arts colleges, strong and weak, sent across my desk in recent months. All follow the worksheet format incorporated in my report, "Needed: A 10-Year College Budget," published by the Fund for the Advancement of Education last year. If the figures point to one thing, it is this: to be strong, a private college must have a strong constituency—national or local, religious or nonsectarian—which believes in a "mission to be accomplished" and is willing to back that mission with its money. Such a college, says Sharvy Umbeck, president of Knox College, has a sense of purpose which influences every single member of the college family—not only faculty and students but administrators, trustees, alumni, and other donors, too.

How does it happen that with booming costs, soaring tuition, and sharply higher fund-raising demands clearly ahead, presidents of strong private colleges look to the future with confidence? There are at least five reasons:

1. There will be more students to select from. Strong private liberal arts colleges expect to increase enrollments by no more than 20 to 25 percent by 1972. This compares with an expected doubling of enrollments in all other colleges and universities in the country taken as a whole, and means that in the future every strong private college (not only the eastern prestige schools) can be as choosy about students as it wishes.

2. Families of collegebound students are richer than they used to be. Colleges are confident that these families will pay the higher tuition and room and board to be required. Colleges now realize (a little too late, unfortunately) that many families could afford higher tuition in the past. Doubters need only look at the cars parked on the average campus. The students own the new sports models; the old Chevies belong to the faculty.

3. Donors are more willing to support institutions they consider to be of high quality. Tremendous public backing has been given such large institutions as Harvard, Johns Hopkins, Stanford, and Brandeis, and such small colleges as Carleton, Amherst, and Wellesley.

4. A college education is becoming an economic and social necessity for a large percentage of our young people, and parents are ready to extend themselves to provide it. Many now consider a college education for a child as a kind of "consumer good" the purchase of which can be an alternative to buying a new car every third year, a long vacation trip, a new home, early retirement, etc.

5. There are real possibilities of making funds go further at many colleges through better utilization of time, space, and personnel. The man who said, "We run our college from 9 to 12 and from 1 to 4, 5 days a week, 8½ months a year, and like it that way," died and has been replaced by the man who is persuading his faculty that better utilization pays off in higher salaries. The faculties at Antioch, Kalamazoo, Middlebury, and others, for example, find that year-round operation of the campus is wholly consistent with the maintenance of a high quality program. The combination of large lecture classes followed by some small discussion groups is working at colleges that never tried it before. As for language laboratories, programed instruction, and television courses, the claim that these new techniques could be effective and economical was based only on theory a few years ago; today there are many successes to cite.

What does all this add up to? A pretty rosey outlook for strong private liberal arts colleges, but a lot of hard work ahead, particularly at fundraising. There is, however, one big fly in the ointment: Private colleges are beginning to realize that they haven't been taking many impecunious students in recent years. The figures show that they can be expected to take an even smaller proportion in the future.

The reason is that the typical $500 to $700 scholarship doesn't go very far these days at a private college where the room, board, and tuition already come to $2,000 or more and other expenses (including books, travel to and from home, clothes, and pocket money) add up to an additional $1,000 a year, at least. As a result only 5 to 7 percent of the students come from the lowest third of the Nation's income levels. No one dares to tabulate the statistics but you don't have to be a Gallup pollster to find this out.

Where does the impecunious student with high potential find his greatest opportunity for higher education? Mainly at municipal and State colleges where he can take his room and board at home and where out-of-pocket overhead is not great. The facts are indisputable. Private colleges may not like to admit this or think of themselves as educators of only the well heeled, but the signs are that they aren't likely to be able to do very much about it in the decade ahead.

*Faculty salaries at a typical strong college—Up 3 to 4 times in one generation*

| Rank | 1952 | 1962 | 1972 |
|---|---|---|---|
| Professor: | | | |
| Maximum | $6,500 | $12,800 | $24,000 |
| Minimum | 4,700 | 9,200 | 15,000 |
| Mean | 5,450 | 10,500 | 19,000 |
| Associate professor: | | | |
| Maximum | 5,000 | 9,500 | 16,000 |
| Minimum | 3,900 | 7,300 | 12,000 |
| Mean | 4,325 | 8,400 | 14,000 |
| Assistant professor: | | | |
| Maximum | 4,400 | 8,100 | 13,000 |
| Minimum | 3,300 | 6,100 | 9,600 |
| Mean | 3,750 | 7,000 | 11,000 |
| Instructor: | | | |
| Maximum | 3,600 | 6,400 | 10,000 |
| Minimum | 2,650 | 5,000 | 7,500 |
| Mean | 3,100 | 5,700 | 8,500 |
| All ranks together: | | | |
| Mean | 4,300 | 8,300 | 14,000 |

In addition colleges provide fringe benefits: 5 percent in 1952; 11 percent in 1962; 17 percent in 1972.
(Based on studies by Mr. Tickton.)

## WHAT IS A WELL-EDUCATED MAN?

Mr. MORSE. Mr. President, Dr. Ewald Turner, president of the National Education Association, who has the additional distinction of being a distinguished educator from Pendleton, Oreg., has brought to my attention an article which appeared in the April issue of the NEA Journal entitled "What Is a Well-Educated Man?" The article consists of definitions contributed by outstanding citizens including two of our colleagues in the Senate, the able junior Senator from Oregon and the distinguished senior Senator from Maine.

I ask unanimous consent that the article to which I have alluded be printed at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WHAT IS A WELL-EDUCATED MAN?

Journal editors recently asked a group of distinguished American statesmen, educators, scientists, religious and cultural leaders, and others for their definition of a well-educated person in today's world. Statements of those who responded appear below.

Teachers may wish to ask their students to study these definitions and to express their own thoughts on what it means to be well educated. Students' comments may be published in a later Journal.

Sterling M. McMurrin, U.S. Commissioner of Education:

"An educated man is at home with ideas. He is as comfortable with concepts as he is with objects. He readily infers the general from the particular, for his capacities for rational abstraction equal his powers of concrete perception.

"An educated man is one whose reason disciplines his attitudes and action, but in whom the emotions are alive and sensitive and in whom there is genuine moral awareness, artistic perceptiveness, and spiritual commitment.

"An educated man has some understanding of himself. He is aware of his own prejudices, is critical of his own assumptions, and knows his own limitations.

"An educated man is aware of the events that have brought the world to where he finds it. He knows the wellsprings of his own society and culture and understands the essential unity of past, present, and future.

"An educated man has a fine sense of the relation of the ideal to the real, of the possible to the actual. He is not satisfied with the world as it is, but he knows that it will never be what he would like it to be. He has hope for the future, but refuses to deny the tragedies of the present.

"An educated man has a cultivated curiosity that leads him beyond the bounds of his own place and circumstance. Provincialism and parochialism have no place in his world, for they stifle thought and inhibit creativity.

"Finally, an educated man is one who loves knowledge and will accept no substitutes and whose life is made meaningful through the never-ending process of the cultivation of his total intellectual resources."

Glenn T. Seaborg, Chairman, Atomic Energy Commission:

"An educated man is a man whose mind is open and whose spirit is free. He is always searching for knowledge, always seeking the truth. He is aware of his own nature and of the nature of his physical and social environment, and he can, because of this awareness, adjust to his environment and contribute to its betterment.

"He is well grounded in the fundamentals of science as well as in other traditional fields of knowledge: he understands the origins and the development of social, religious, and political institutions and their influence on the past, the present, and the future. He is able to communicate intelligently. He is alert to his responsibilities to all segments of society, and he is active—never passive—in their performance.

"He is learned, but also conscious of the stream of life. He is a proud part of the mass of humanity, and yet aspires to understand it better and to leave it some legacy of material, mind, or spirit."

Ewald Turner, NEA president; on leave from his duties as a classroom teacher in Pendleton, Oreg.:

"The educated man is one who has learned where to go to find the answers to the problems which confront all men. Not all the answers he will need will be supplied to him in the classroom or between the covers of books. Formal study will have played a part in his educational development; and it should have taught him how to think. Having learned to do that, he must then search relentlessly, within himself, for the truths by which to set his course.

"The educated man will have the vision to know where he is going and where he has been. He will find, within himself, understandings that are the heritage of his past, and he will have the creative energy, acting upon these stored resources in the light of new experiences, to transmit and, in at least some small way, enhance them before handing down the heritage to those who come after him.

"Compassion will lead him to share generously with his fellows, for he will have learned that there is no easy road to wisdom. He will have constructed a system of values which will prompt him to employ his learning for worthy objectives, consistent with his dignity as an individual. He will remain steadfast to his principles even at a loss of personal prestige.

"In a troubled world he will discover the faith and courage to play his role cheerfully, confident that, this side of paradise, he lives in the best of all possible worlds."

Paul C. Reinert, S.J., president, St. Louis University:

"Subjectively viewed, the well-educated man must be one in whom basic human potentialities have been harmoniously developed, in whom the powers of mind and body, of imagination and intellect, of emotion and will, have been strengthened and trained to maturity within an integrated personality.

"He will have a basic grasp on the facts, the disciplines, and the creative activities which constitute our culture. He will understand the society and the world in which he lives so that he can fulfill his social duties to family, nation, and all men.

"He will have elected an area of deeper and more thorough training in which he will exercise his vocational role as an expert finding his livelihood and his career in a special contribution to society.

"His personality will be integrated and his development and activities harmonized by the real personal acceptance of (and commitment to) what has often been called wisdom; that is, an intelligently grounded and intellectually grasped set of values integrated with the supreme end of human life. Of its very nature this wisdom must be religious in character and, for those who have come to know that God has spoken through Christ, His Son, it must be not only humanly good but specifically Christian and illumined and unlifted by divine love."

Margaret Chase Smith, U.S. Senator:

"In today's world, a well-educated man has a college education. However, it does not end there; he continues to study after college, for in our world today there is always an opportunity to further one's education.

"Keeping informed of the world situation as well as of the current events of our own country is vital to the well-educated man. To him, integrity is essential—for integrity is that personal ingredient which makes men and women speak up when they know that in doing so they are going to make themselves unpopular. It is outspoken recognition that the right way is not always the popular and easy way.

"The ability to lead is another very important characteristic, in addition to having initiative and the quality of being able to handle any responsibility one may be expected to assume. Being well dressed and well groomed is a necessary asset.

"In this rapidly changing world of ours, knowledge has clearly replaced physical force as the dominant power and the factor which determines the relative strength of nations of the world."

Label A. Katz, president, B'nai B'rith:

"It seems to me that the well-educated man fears he isn't. This because he is a sophisticate; humbly aware of the dynamism of human experience. The Talmud—that remarkable compilation of Jewish laws and parables—reminds him that humility is a prerequisite to knowledge. Thus, his pursuit of education is not a goal but a way of life, never a fulfillment but only a lifelong process toward it.

"The well-educated man is a reader. Books are his provocative companions. He reveres initiative and ideas as the catalysts of human progress. He has a catholic curiosity. He seeks to understand others not merely from his own vantage or by his own values, but as others see themselves in their environment.

"He is endowed with a sense of social obligation, responsive to the events that shape his world and to the people in it. He does not exist by himself; he is not the passive scholar. Yet he does not fear the splendid isolation of the nonconformist. He encourages dissent as a stimulating prod to creativity.

"He honors tradition by refusing to embalm it; he wants to apply the wisdom of the past to an understanding of the future. He wants to learn from history so that, as Santayana warned, he won't doom himself to repeating it.

"He wants to leave something of himself to the succeeding generation. He believes with the sage Maimonides that the advancement of learning is the highest commandment."

Marya Mannes, author:

"The first mark of the well-educated man is that he speak well. I would put knowledge of his own language as a prime element, for until a man can communicate what he knows, he does not know it. This ability is as essential as the reading of prose and poetry from the earliest written expression until the present. It is my belief, moreover, that the study of Latin is an invaluable aid not only in the precision of thought but in familiarity with word roots.

"I believe, too, that a man cannot be considered truly educated without fluent knowledge of at least one modern foreign language. This is more than a convenience abroad or a tool for a career. It provides an experience vital to this contracting world: The ability to think and feel in an alien idiom.

"I do not consider a man or woman well educated who has not learned enough about the history and techniques of art, music, architecture, and dance to give him that extra dimension of awareness which only trained senses can provide.

"For this same reason, and for many others, today's man must know something about the nature of matter, the laws of the universe, and the basic principles of the technology by which we now live.

"Finally, the educated man's mind is an open mind; he is willing to hear thoughts in opposition to his own even though he may continue to reject them. In the well-educated man or woman, the capacity to learn remains infinite."

Pauline Tompkins, general director, American Association of University Women:

"In any era, the well-educated man is one whose mind, throughout his life, is questingly exposed to at least some of the most significant theories, facts, and dreams which have shaped his past and present and are influencing his future.

"The quality of his education is demonstrated in the first instance by his general and specific knowledge reflected in his responses to the problems posed by his time. Infinitely more important is the temper of his mind, revealed in the logic and integrity of his thought. The well-educated man is the intellectually honest—and humble—man. The appetite for knowledge is the hunger for truth. The more of it one grasps, the more his knowledge approaches wisdom, and the more profound his awe.

"The well-educated man is, by the same token, the liberated man. His commitment to the search for truth pervades all his thinking. He, more than others, dares to rise above the parochialism of his day, to cast it in the bold relief of history, and to voice the perplexing questions which accompany this appraisal. His freedom and his education are equally marked by the disciplined versatility of his mind, the absence

of mental taboos, the ordered breadth of his imagination, the humaneness of his understanding."

MAURINE B. NEUBERGER, U.S. Senator:

"The well-educated man is one to whom the myriad doors of the 20th century have been opened. He has learned to live with himself, to be a constructive member of his society, and to utilize the technological advances to create a better world."

David D. Henry, president, University of Illinois:

"The educated man may be marked by the nature of his participation in the discussion of public affairs: Does he show urbanity or narrow partisanship? Does he contribute to reconciliation or divisiveness? Does he seek to clarify or merely to argue? * * * Is he interested in public purpose?

"Controversy has a part in the crystallization of public decisions. The search for truth is characterized by the free play of minds working upon one another, and in the process, strong men sharply differ. But, in differing, educated men behave as serious men going about important business, with deliberation, thoroughness, and mutual respect. * * *

"The educated man will apply the standards of reason and scholarship to public questions and let his opinion be guided by the results. He believes in independent judgment, but he also respects the point of view of others, even when it differs widely from his own.

"The educated citizen, with an understanding of the contending forces for the control of the minds of men, is the hope for fulfillment in action of the democratic ideal; he is devoted to problem solving, not panaceas; and he is willing to have patience for progress as he seeks to apply intelligence to the civic tasks of every day."

Helen C. White, chairman, department of English, University of Wisconsin:

"A well-educated man knows what he cares about and what he can do; but he knows, too, that he must go beyond himself if he is to do his part. He knows that he can only begin to understand even the natural world. As for the forces at work among his fellow men, he realizes that he needs all the experience, past or present, that he can draw upon even to ask the questions that will open up the meaning of what he sees before him.

"Beyond the limits of his own competence, he knows how to find the experts he wants and how to use them critically and constructively. Because he cannot know everything, he does not refuse to act on what he does know. And always he is alert for the fresh insight that is the reward of the man who never wearies in the pursuit of understanding."

Allen P. Britton, president, Music Educators National Conference, NEA:

"The phrase 'well educated' has two connotations, one of which is occasionally overlooked. Both connotations are equally important, however, and deserve equal emphasis.

"The connotation which seems to be universally understood is that the well-educated man should be a broadly educated man, educated in all of the most significant aspects of the Western cultural heritage. I believe that an education of adequate breadth must include an education in the great arts of our culture, including music, of course, but also the dance, the theater, painting, sculpture, and architecture.

"The second connotation and the one which does not always receive proper emphasis is that the well-educated man is one whose education has been of the highest quality.

"Once upon a time an ancient monarch inquired as to whether or not there was some comparatively easy and quick method by which he could acquire the basic principles of geometry. He was told, 'Sire, there is no royal road to geometry.' Neither is there such a road to music or any art or any body of scientific or literary knowledge. The great disciplines are not come by without discipline. Thus, the well-educated man must not only be broadly educated in the intellectual and artistic glories of our civilization but also thoroughly educated in them."

Dorothy B. Ferebee, M.D., medical director, Howard University health service:

"In today's world, a well-educated man reveals himself by his attitudes, his behavior, his speech, and by the depth of his concerns.

"One of the most significant and important characteristics of an educated man is his manner, his projection of himself through ways of thinking and through his attitudes toward life and lives. The wholeness of his thinking and attitudes emerges into an ability to relate daily activities to worthwhile and purposeful ends; a kind of relatedness that enables him to seek truth through honesty and dignity. His whole being is illumined by the way he chooses, or makes judgments, or effects a balance between his emotions and his intellect. An educated man is one who has used his opportunity to grow in understanding of himself and of the environment in which he lives.

"In the truly educated man, there is always apparent a command and a control of responses and reactions reflected in regard and respect for the rights and dignity of other humans, irrespective of differences. He reveals himself in a quiet, well-modulated voice, employing good word usage and lucid expression born of an ability to think straight and to deploy ideas effectively.

"Finally, an educated man shows a sensitivity to the changing needs of people in the society around him and throughout a dynamic world. His world mindedness envisions the reality of the problems and aspirations of unseen millions. He responds to our shrinking world and its demands with informed concern. In short, he has a humaneness which he is not afraid to express."

Rt. Rev. Msgr. O'Neil C. D'Amour, associate secretary, National Catholic Educational Association:

"In any age, a man is well educated insofar as he has developed his potentialities—physical, emotional, moral, and intellectual—so as to enable him to meet the problems and challenges of his environment and finally to obtain that union with God that is the destiny of every man.

"Since in our age the expanse of human knowledge has broadened dramatically, the well-educated man is one who has used his inborn abilities to the utmost in the bringing of a sense of order to that knowledge and in the using of it for bettering his life and that of others.

"Since our society places its stress not on authority but on freedom, he must have strengthened his will in the right use of freedom. Since our culture is one depending on the social responsibility of the individual, he must have made himself vitally aware of his duties to society. Since the minds of men have probed the secrets of nature as never before, he must have become mindful of how little he and all mankind truly know and must recognize his humility before his Maker.

"Only the man who, under the grace of God, has so lived his life can be considered truly well educated."

Lillian M. Gilbreth, consulting engineer; president, Gilbreth, Inc.:

"A well-educated person is one who does credit to his education. The dictionary says that education develops natural powers, and mentions the knowledge and skill that result from education and training. Training is described as the result of systematic instruction and practice. Education should prepare us to live fully and richly; training fits us to live usefully. The educated person has need of both.

"Learning, of course, involves work, and work can be best approached by asking: Why do I do it? Exactly what should be done—when, where, by whom, how? Answers to these questions help us to clarify our thinking and planning, and properly evaluate the results.

"We can learn in every area of our lives as individuals, as members of a family group, as citizens, as voluntary workers, as paid workers. Learning is a lifelong process, and our long-term planning must utilize every facility.

"We must recognize and grasp our own opportunities for education and training, and contribute to the opportunities of others. It is a service that blesseth him that gives and him that takes.

"We have a responsibility to see that everyone everywhere can enjoy an educated head, educated hands, and an educated heart."

Ralph W. Sockman, minister emeritus, Christ Church, New York:

"An educated person is one so eager to learn that he continues his lifelong study. He knows where to find the needed facts and how to weigh them so that his factfinding becomes truth seeking. He studies deeply enough in some field to pursue effectively a line of work and broadly enough to see how his specialty fits into the social pattern.

"He has a philosophy of life sufficiently sound to give meaning to his daily work and clear goals to his long pursuits. He has a sense of history which enables him to see the passing scene in the perspective of things invisible and eternal. His imagination is trained and sensitized to see how life looks to people of other cultures and creeds and colors. His sympathy is cultivated to the point where he does not sacrifice persons on the altar of principles or compromise principles by easy conformity. His aim is not to master men for the making of things, but to master things for the making of men.

"In short, the educated man is one whose knowledge matures into wisdom."

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## THE COMMUNITY COLLEGE

Mr. MORSE. Mr. President, Mr. Edmund J. Gleazer, Jr., executive director of the American Association of Junior Colleges, on May 21, 1962, in a dedication address of the Kellogg Community College in Battle Creek, Mich., took occasion to point out the fact that the community college fills a major educational void by assisting many of our young people who otherwise would be unable to obtain the benefits of higher education. As he said:

> The junior college can tap new manpower markets. It can motivate the unmotivated. It can give some hope to those who have not dared to aspire. It can dignify those who have been underprivileged in financial and social position. It can conserve for the good of society as well as their own fulfillment the inherent and valuable resources of a broad segment of our population not yet served appropriately.

In view of the widespread interest presented before the Education Subcommittee as we considered H.R. 8900 on the role of the community college, in my judgment, Senators may wish to have the opportunity of reading the full text of Mr. Gleazer's speech. I therefore ask unanimous consent that it be printed at this point in my remarks.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

THE COMMUNITY COLLEGE—AN INSTRUMENT FOR SOCIAL MOBILITY

(By Edmund J. Gleazer, Jr.)

We have met here tonight to dedicate the new campus of Kellogg Community College. This convocation has more than local interest. Leadership in humanitarian fields demonstrated by citizens of this community has had worldwide influence for good. This city has become widely known for its economic products. In addition, its reputation has been enhanced by encouragement and support given to ideas and ideals of persons both near at hand and thousands of miles away. Basic to these activities has been the concept so important to the democratic tradition that assistance is most valuable when it helps people to help themselves.

No community enterprise could be truer to that credo than the community college—in the words of Jesse Parker Bogue—"Community centered, community servicing, community controlled, it aims at the fullest possible participation by all members of the community." It seems most suitable that we are here, in a sense, to wed to the community college idea the name of Kellogg—a name which has come to be identified with the kind of idealism on which that college is based. I am honored to have a part in this program, but I consider it to be somewhat appropriate because of the lines of communication which have been established from Battle Creek to community colleges, established or projected, in cities throughout this land and even abroad. In my opinion what is done here now and in the future will be important for this new social invention in areas far beyond this city or State. I would hope that Kellogg Community College because of its unique setting could become in a sense a prototype for the community college of tomorrow.

Pilot institutions are needed in this rapidly growing field. Few things are more difficult than the introduction of new ideas. We tend to compromise or accommodate a new concept to that which already exists to such an extent that the innovation very often has its potential usefulness greatly reduced. Traditions, organizations, laws, definitions, regulations, bureaus of all conspire, though sincerely enough and in what is considered the interests of the public, to slow the acceptance of the invention, social or material. This has been the case with the community college although the promising outlines of what can be and what should be are more rapidly beginning to appear. Still the tremendous potential of this institution for the new age into which we are moving has not been generally perceived. We have limited its usefulness by defining it in terms of present structures, for example the first 2 years of the college program, or the 13th and 14th grades.

At the second annual meeting of the American Association of Junior Colleges in 1922, the definition offered of junior colleges was: "The junior college is an institution offering 2 years of instruction of strictly collegiate grade." Three years later there was added: "The junior college may, and is likely to, develop a different type of curriculum suited to the larger and ever-changing civic, social, religious, and vocational needs of the entire community in which the college is located."

The idea of a community college was given impetus by the report of the President's Commission on Higher Education in 1947. However, there still exists generally the view that the major justification for junior or community colleges is to "take the load off the universities" by providing, near the homes of the students and at low cost, the first 2 years of the baccalaureate program. It was this interpretation that was given by leading university presidents around the turn of the century. And they favored the idea mainly to upgrade the programs of the university. There is nothing wrong with this notion. In fact, it makes a great deal of sense that universities become highly selective and that they concentrate their energies on students well motivated, mature, and ready for advanced studies.

We can now assume in the light of increasing evidence in a majority of the States that a large percentage of students will take the first 2 years of college work in community colleges. And we can also assume that our universities will become increasingly selective and will direct their resources toward upper division work, graduate and professional programs and research. I would like to feel that this point has been made and now state my main thesis. A major mission of the community college is to reach personnel resources of society which have not been tapped by conventional programs of education. The community college exists to fill an educational void. It taps new markets. It is to motivate the unmotivated; to give some hope to those who have not dared to aspire; to dignify those who have been underprivileged in financial and social position; to conserve for the good of society as well as their own fulfillment the inherent and valuable resources of a broad segment of our population not yet served appropriately by educational institutions beyond the high school.

As educators and legislators have examined population projections through 1970 and beyond they have noted such dramatic growth as is reported here in Michigan. Although the number of persons 18–24 was about the same in 1960 as in 1940, the number in college increased from 61,842 to 160,261. If percent enrolling in college grows at the 1950–60 rate, there will be 109,000 as potential freshmen enrollment in 1970 compared with 36,913 in the year 1960. Our primary concern to date has been with those who are very likely to enter our institutions, but we are just beginning to suspect that the kind of society we are producing which can survive and prosper only through enlightened people can no longer afford large pools of manpower resources developed at less than the level of their potential.

WHERE ARE THESE POOLS?

The student of average academic ability: In a study of 10,000 high school graduates of June 1959 of varying socioeconomic and ability levels across this Nation, Dr. Leland Medsker found that a fourth of the graduates in the upper 20 percent in ability did not continue their education. Of particular note is the fact that in the next 20 percent, 42 percent did not enter school or college; in the next 20 percent, 49 percent did not; and in the fourth 20 percent, 54 percent did not enroll for further education although all of these graduates presumably had sufficient aptitude to benefit by a suitable post-high-school program. Obviously many young people who could benefit from higher education do not enroll in educational institutions beyond the high school. We need to ask why?

Recently an election was held for the establishment of a city and county junior college district for St. Louis. Materials published by the citizens' committee included this statement:

"Diverse educational opportunities should be provided for the 41 percent of city-county seniors who had IQ's ranging between 100 and 110. Educators say this ability level, combined with mechanical, electrical, or technical aptitudes, enables students to become excellent technicians. Others will wish to combine some college work with training in clerical or secretarial fields."

Earl J. McGrath, executive officer of the Institute of Higher Education, Columbia University, declared in a speech at the University of Pennsylvania early this year that American democratic principles require that students "from all stations in life with an infinity of abilities" must be accommodated within the structure of higher education.

The President's Commission on Higher Education stated that 49 percent of our population could benefit by educational programs up to 2 years beyond the high school. But the college door is closing for those who have not demonstrated their academic aptitudes. At the same time it was reported to the annual meeting of the American Personnel & Guidance Association in April by the dean of students of a community college that "our small-scale study at Foothill College showed, with the present state of development of the predictors of academic success available to us, that we cannot even partially close our doors without eliminating significant numbers of potentially successful students."

The community college with its emphasis upon strong guidance services, superior teaching, and a variety of educational programs available in one institution is better equipped than any other institution to further the education of what is after all, by definition, the largest part of our population (the average).

The student with limited financial resources: In the recent surveys made in St. Louis lack of finances was listed by 38 percent of city and 37 percent of county seniors as their reason for not going on to college. Under the heading "Bargain Day for Taxpayers," the junior college development committee showed how the college was to be financed; State aid totaling $200 per full-time student; local funds provided through a level of 10 cents per $100 assessed valuation. This means a little more than a penny a day for the average homeowner. Tuition and fees of no more than $200 and possibly less for the student from the district.

The Department of Labor tells us, on the basis of their recent studies that of more than 1 million high school seniors in late 1959 who had no plans to attend college, or were undecided, the largest number indicated economic constraints dictated their decision. Who goes to college? According to the Department it is on the average a white male high school senior living in the city who comes from a relatively high income, well-educated family headed by a white-collar worker. But, says the Labor Department, "the Nation needs to educate all its young people who have the desire for and the ability to profit from a higher education."

Does income level relate to college going? Another case in point. Available to high school graduates in San Jose, Calif., are four institutions of higher education—Stanford, University of California, San Jose State College, and San Jose City College (a community college). Dr. Burton Clark of the University of California compared the socioeconomic status of the homes from which students come to those institutions. For Stanford, nearly 9 out of 10 students from San Jose came from families of professional men, business owners, and business officials with about 13 percent from lower white-collar or blue-collar homes. Distribution for the University of California shows greater spread, approximately 31 percent of the students from San Jose coming from lower white-collar or blue-collar homes. The State college and the junior college, in turn, had about 62 and 77 percent, respectively, from other than professional or business background. Clark concluded that the junior college has a clientele base virtually identical with the citywide occupational structure, that it exceeded city distribution only in the category of skilled and semiskilled workmen, which accounted for 45 percent of its student body. In Clark's words, "Clearly

an extensive democratization of higher education is involved, with access to some form of higher education relatively unhindered by income level."

Is it unfair to other institutions of higher education to make readily available at little or no tuition the opportunities of education beyond the high school? Did Stanford or the University of California suffer as a result of the existence of San Jose City College? It is clear that these institutions draw from different populations.

A few weeks ago I wrote to the president of one of the large privately supported universities in the South. A community college was established in the vicinity of his institution 2 years ago. I wanted his appraisal of the effect of this junior college, now enrolling more than 3,000 students, on his university. Reaction was somewhat cautious because of the limited time involved and lack of a full-scale investigation which the Bureau of Institutional Research said was unwarranted due to results of preliminary research. This report was given:

"In view of the fact that we are unable to discern any relationship between the enrollments of the two institutions, the following generalizations appear to be explanatory: (a) The intent of the two populations with respect to education beyond the first 2 years is dissimilar; i.e., a junior college education is terminal for much of that population; (b) the fee structures of the two institutions are significantly different; and (c) the university is no longer a 'local' institution."

The community college, financially accessible, will contribute markedly toward the conditions of social and economic mobility so essential to the perpetuation of a democratic society.

The student for whom a technical or semiprofessional training is suitable: Recent technological development in electronics, space technology, and other fields, including the *health* services, have brought into sharper focus the almost critical shortage that exists of people trained as technicians. We have been preoccupied with the professionals, the engineers, physicians, dentists. Now we are seeing that teams of trained personnel are needed, the scientist, engineer, technician. The surgeon, anesthetist, nurse, technician, medical records librarian; the dentist, dental hygienist, dental assistant. By combining these skills the usefulness and productivity of each individual is enhanced and extended.

George Meany, president of the AFL–CIO, in April of this year addressed an educational conference and referred to a part of the problem: "It is a great misfortune that somewhere along the way, many Americans have mislaid the old concept of the dignity of labor. Too few of our citizens realize that modern technology has increased, rather than diminished the skills required of the individual craftsman. Today's machinist is taught to work routinely with tolerances of a thousandth of an inch. The pipefitter on a Polaris submarine must be able to keep allowable seepage down to one drop a year. The men who can do these things deserve every bit as much respect as the man who can prepare a legal brief."

Vocational training beyond the high school interwoven with general education is and ought to be a major concern of the community college. Florida in its exemplary development of a system of community colleges has recognized this. The director of the division of community junior colleges has said that the increase of industrial and business development within the State of Florida has pointed up the need for trained personnel in vital areas such as drafting, electronics, nursing, secretarial services, and many semiprofessional and vocationally oriented areas.

In a recent study of education and training for technical occupations in San Fernando Valley, Calif., it was determined that a total of 241,717 employees would be needed during the next 10 years. Fifteen percent of those as engineers, 27 percent as technicians, and 23 percent in the skilled trades. Fifty percent of the total number needed might appropriately be trained in community colleges in programs up to 2 years beyond the high school.

And there is another most important consideration. About one-third of young people drop out before high school completion. It might very well motivate more of these dropouts to complete their high school programs if they were able to see before them educational lines of development that make sense to them and would qualify them as productive members of the labor force at the end of a 2-year program.

The evidence is overwhelming in this country and abroad for personnel trained at this level. In fact the Peace Corps which began its recruiting with emphasis upon college graduates has discovered through experience that well-rounded persons with training as technicians or in the skilled trades and who have no aversion to working with their hands are their best candidates for successful service in developing countries.

No educational institution has greater potential in preparing the millions of "middle-level" manpower required by our technological age than the community college. But let me confess that neither industry, nor the community colleges, nor students nor their parents have fully recognized the worth and social contribution of these vocations as yet, but the hard fact is that we are being forced into recognition as our needs multiply and the number of professionals proportionately decreases.

Students who require continuing education in the community: In a Valentine's Day press conference, President Kennedy reported that automation had become such a factor in modern life that we are going to have to find 25,000 new jobs every week for the next 10 years for people displaced in business and industry by machines. This state of affairs, he said, constitutes "the major domestic challenge of the sixties." According to the Under Secretary of Labor, the President was wrong. The figure should have been 35,000 and the president of the Communications Workers of America, AFL–CIO, said 80,000 new jobs weekly for new workers and for those displaced by automation.

As James Reston has pointed out, one of the most remarkable things about these pronouncements is that hardly anyone has paid any attention to them. This reminds him of the comment once made by Aldous Huxley about his own education, which, he said, had admirably equipped him to live in the 18th century. Reston asks whether we are risking a lag in educational affairs that will leave us admirably equipped to live in an era which the rate of technological growth has long since deposited in history.

Let me predict that one of the important services of community colleges will be in the retraining of persons displaced occupationally by automation and other technological changes. But the training is only one aspect of this problem. Joseph A. Beirne of the Communications Workers of America puts it this way:

"I believe that the most important single problem facing the Nation's school system as it exists today is the problem of continuing education for all citizens. * * * In all this glittering array of technology, the average citizen will be reduced to a kind of vegetable existence unless he is taught to understand his world."

Workers are seeing that education is critically important for their children. In the words of one man, "A machine got my job; in a few months my wife will be laid off too. You know, this automation is good for only one group of people—the engineers. My son is going to college—goin' to be an engineer. He'll control these machines."

The opportunity of the community college is not only in the educational aspirations of these parents for their children but in broad programs of educational services made readily available to adults through their lives.

I have touched on only four but very large pools of manpower resources in this country for which the community college has a very special responsibility. In responding to these needs the college more clearly than any other way can establish its claim to recognition as an institution in its own right. In these services it is not "junior" to anything. It perceives its assignment clearly—and with dignity and pride and competence—its work of raising up human talent is accomplished. Let me assure you that there is no loyalty greater toward an educational institution than by a youth of modest academic aptitude who has been given an opportunity and makes the most of it by becoming Governor of a State; the housewife with children raised, who, at age 50, becomes a registered nurse through the college program; the young man without funds who wanted a 2-year technician program close to home and who was on the team that sent an astronaut into orbit.

Is it any wonder that where community colleges are developing in an orderly and systematic fashion that it is already inconceivable to the citizens of the State that these institutions not be perpetuated and strengthened. For you see community colleges properly fitted to a total pattern of education for an area do not overlap or compete or duplicate services offered. They exist to fill an educational void. They set free potentialities not otherwise tapped. They broaden and extend learning opportunities. May this be the destiny of Kellogg Community College. Let it be bold enough, and secure enough, to establish its own high goals and pursue those goals with competence. Let this institution be a worthy symbol of the highest values of this community which has given it life and purpose.

## EDUCATION FOR FREEDOM IN A FREE SOCIETY

Mr. MORSE. Mr. President, far too often we become immersed in the details of legislation to the exclusion of the abiding principles which should govern us in the consideration of such legislation.

It is helpful, therefore in my judgment, occasionally to take the time to review once more the basic foundation concepts upon which our democratic society is based. The Honorable Sterling M. McMurrin, U.S. Commissioner of Education, last March delivered an address before the Conference on the Ideals of American Freedom and the International Dimensions of Education in which he touched upon these underlying principles.

Mr. President, because I feel that the Commissioner has in this speech clearly and lucidly set forth these abiding conconcepts I ask unanimous consent that this speech be printed at this point in my remarks.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

EDUCATION FOR FREEDOM IN A FREE SOCIETY

(By Sterling M. McMurrin, U.S. Commissioner of Education)

When we ask the question of the responsibility of our schools in the matter of free-

dom, we confront a primary task of education, for quite certainly among the purposes of education none is more basic than the understanding, appreciation, criticism, and perpetuation of the culture, and among the defining properties of our culture, none is more central than freedom and none is more pertinent to the large issues that now occupy us. The problem is not whether education has responsibilities here, but rather what they are and how they can effectively be mounted. The ideal of freedom pervades the whole structure of our personal and corporate life and it falls therefore upon all the institutions of our society, singly and collectively, to protect and cultivate it and to keep it a viable quality of our culture. The specific task of education must be identified within the context of the primary function of education, which is the achievement and dissemination of knowledge, the cultivation of the intellect, and induction into the uses of reason.

Our people have a firm tradition of respect for reason and for what reason entails—knowledge, evidence, and a careful assessment of the pros and cons of every issue. This is not to say that we have always behaved with reasonableness in the past or to guarantee that we shall avoid irrational attitudes and conduct in the future. It is to say that our civic passions are quite commonly responsive to the persuasions of evidence and that we have built into our habits of thought and action those deterrents and inhibitions that in part account for the stability of a people whose public life is a scene more of discussion, deliberation, and effective compromise than of emotional extremes and arbitrary decision.

That we have such extremes is all too evident. And they do not all belong to the past, for some are with us now. We can look in many directions and see evidences of irrational behavior of all kinds, in public and in private life. In some instances the matter at hand is trivial, or at least of no general concern. In others something very real and very precious may be at issue. Often there is at least a loss of the composure and self-possession that are among the chief adornments of a mature society, a loss of the serenity and self-respect that are the ground of the dignity of a civilized nation.

The commitment of our public life to reasonableness is of long standing and runs very deep. It perhaps is not unrelated to the fact that the large events of the founding of the Republic belonged to the American enlightenment, and that some of the founders were among the best specimens of that age that produced specimens of a very high order, who believed that tyranny was the product of superstition and ignorance, that freedom was the fruit of knowledge and reason. But far beyond that, the roots of our tradition were in the classical doctrine that man is the rational animal, and that his ultimate good lies in the cultivation of his reason, a doctrine that has had a long and illustrious history. It was the foundation of the Greek conception of the virtuous life and the good society, and the basis of the stoic philosophy that gave structure to Roman law and order. It was christianized as the basic tenet that the rationality of man is the image of God. And it became the chief ground for modern science and for the foundation of modern humanism with its liberal doctrine of man and its optimistic conception of human history.

Now among all the modifications of recent decades in the intellectual, moral, and spiritual life of the Western World, none has been more radical or far reaching, and none more ominous in its prospect, than the decline of this belief in the rationality of man and the loss of the faith in his sure determination of his future. That this decline, which has affected secular and religious thought alike, and has touched the political life of nations and the personal life of individuals with doubts, fears, and anxieties of every description and dimension, has not cast its blight upon us in the same degree as on some others is due in part to the fact that until now, at least, we have not suffered the frustrations, defeats, and tragedies that they have known.

But the threats of irrationalism hang heavily and precariously over us and the events of recent years are an ominous warning that even here the force of reason can fail and men can be moved more by emotion and passion than by knowledge and wisdom.

Yet where we are guilty of such behavior, and suffer the losses that it entails, it is within the context of a general commitment to reasonableness that sooner or later recalls us to our senses, restores our balance and judgment, and leaves us embarrassed, chastened, and perhaps a little wiser. It is this precious commitment to reason, which is central to so much that is of intrinsic worth not only in our intellectual pursuits but as a quality of our moral and spiritual life, and upon which so much depends in our practical affairs, that is entrusted to our schools. Whether they effectively cultivate respect for reason, not simply in some but in all of their students, instilling in them a passion for knowledge and for the quest for knowledge, and affecting thereby the whole character of our society, will decide their success or failure in the management of this inheritance.

Such a thing as our sense of obligation to knowledge and reason is quite properly seen as an inheritance, for it is something that cannot be created or established in a day. It is not something that can at will be put on or taken off, or be imposed artificially on others, or be legislated into or out of existence. It has evolved through the centuries with the culture, is transmitted by it from generation to generation, and is indeed not simply a part of the culture but an essential quality of its very nature. If under pressures of whatever kind our people were to abandon their basic trust in knowledge and reason, the culture in which we move and flourish, which is in our thought and action, and which at once determines and is determined by us, would be at its end. The future, whatever else it might be, would be a different world for us from what we now know and have known.

Now in this matter we have no reason to believe that our schools will not in the future prove worthy of their task. They came into being as the chief bearers of the intellectual life of our society and there is no other institution to assume the burden of their responsibilities. But our faith in the capacity of our school to insure the future stability of our society by guaranteeing that our decisions and actions will be determined by a calm and thoughtful reliance upon knowledge and a careful examination of causes and consequences is, after all, in part a faith in our own willingness to continually examine and critically appraise our educational program at every level. It is a recognition that we have the capacity to define the basic problems that confront us at any particular time and to see clearly their relevance to the proper activity of the schools. Whether it is seen on the domestic or world front, contemporary history is moving at an accelerated pace and in the future those problems may be expected to appear in great number. In the years ahead the schoolmen, like the wicked, will have no rest.

When we turn to the issue of freedom itself, which is so intricately involved with the question of reasonableness, the picture is subtle and complex. Freedom was not begun in a day. Its history is long, with ups and downs and devious paths. Freedom is something that is won, or achieved, that is lived through, or that is always about to be born. It is not something that is simply planned, or decided upon. It must come into being through the life struggles of a people. Clearly it cannot just be borrowed, adopted, or adapted.

But there is not just one freedom. There are many. And it is not freedom in the abstract that should concern us here, but the concrete and particular freedoms that are or should be real and viable in the processes of our society and the lives of our people—freedom to think and freedom to speak—freedom to write and to read—freedom from want, from fear, from pain—from ignorance, conformity, custom, boredom and superstition—freedom from the oppression of both majorities and minorities—freedom from the crushing weight of the state—freedom from the tyranny of the past and from every form of tyranny that can rule the mind and heart and soul of man—freedom to be in the full sense a person whose personality is individual, in whom uniqueness is encouraged and independence is real. All of these and many more are elements in what we mean by freedom, and certainly these and many more are at issue when we ask the basic questions about political, economic, and intellectual freedom. There is much more for those who dig deeply and ask the question of the freedom of the will, with its scientific, metaphysical, theological, and moral implications. And there are matters of large practical import in the issue of the freedom of history—or better, freedom from history, freedom from the inexorable determinations of a purposeless fate, or from the unyielding logic of the blind mechanical forces of nature.

Now if there is anything that lies at the very heart of freedom as we know it, however vaguely and imperfectly, as an ideal of our culture, and freedom as we want to cultivate and protect it, the freedom that is so precious to us, it is the person taken as an individual. Clearly, the individual is at the very center of the meaning of freedom for us. His aims and purposes and his acceptance of responsibility are integral to freedom as a living experience. Any serious discussion of freedom and of the ways to enhance and preserve it must come to grips with the fact of the individual and the moral ideal of a society that is structured to that fact.

Here again is something that was not achieved in a day, a century, or even a millenium. The individualism that is central to so many of our judgments of value, and is so commonly the foundation of our institutions, that seems so solid and entrenched, and yet at times is in precarious balance, is the product of a long and adventurous history, from at least Jeremiah and Ezekiel, who among our cultural ancestors first proclaimed unequivocally the moral responsibility of every person, to William James, who more vigorously than any other insisted upon the ultimate reality of the individual against the claims of the absolute.

No discussion of the American ideal of freedom and the American ideal of individualism can ignore the history of the impact of 19th century Hegelian absolutism on much European social and political theory and its eventual failure in our own country. Hegelian logic, metaphysics, and historical dialectic were imported into this country after the Civil War, but they did not take. Nor did the Hegelianism that appeared in a more academic garb around the turn of the century. It now appears that American thought and practice are and have been so inextricably involved with the particular and the individual that any world view or political or moral system that does not grant full and independent reality and the highest value to the individual will eventually be successfully resisted by the American mind. That this resistance is associated with our empirical, nominalistic and pragmatic propensities and our suspicion of speculative metaphysics or

the methodology of extreme rationalism is beside the point. The fact is that absolutistic philosophy has always had and continues to have a rough time in this country, and where Hegelianism with its ontological subordination of the particular to the absolute, and its political subordination of the individual to the state became the chief theoretical ground for Fascist, Nazi, and Communist totalitarianism, in American politics it went unnoticed and in American metaphysics it was forced to yield to the claims of the individual.

There is no American philosophy, and we may hope that there never will be, for the concept of a single intellectual system which pretends to the finished truth is contrary to our most cherished and basic intellectual ideal, that the quest for knowledge should be various and open and unending. But there clearly is what may be called a dominant spirit and temper in American thought, unquestionably deriving in part from, and in turn influencing American practice, that informs the character of both metaphysics and ethics and transforms whatever else it may touch—a radical individualism that insists that reality resides ultimately in the individual as such and that the good, however else it may be described, is definable ultimately only in terms of the individual.

This individualism, which is so entirely consonant with the principles and practices normative for a democratic society, must be the keystone of any attempt to assess our institutions or judge our social arrangements, as it must be the keystone of any attempt at an interpretation of contemporary history that will give meaning to the events in our past and present. It is only on the firm ground of such individualism with all of its pluralistic implications, both theoretical and practical, that we can take our stand against the monolithic structure of the totalitarian states. It is only here that we can justify our way of life and our kind of institutions against theirs. And it is only here that we can look for increased strength for our Nation and new vitality for our culture.

There is a sense in which the task of the American school is expressed in the task of the American scholar. And his task must always be defined first by the disinterested pursuit of knowledge. To not stand firm against whatever would compromise the integrity of his search for truth would be to dishonor himself and to fail in a high and sacred obligation. Yet the scholar's concern is properly with the uses and abuses of knowledge, as well as with its achievement and dissemination, and with the state and character of his society and culture. His disinterestedness is his stubborn refusal to suppress the facts, to subject theory to policy, or to otherwise yield to the pressures of those who would restrain him in his pursuit of truth or would convert his abilities and efforts to unworthy purpose. It is not a denial of his obligation to serve those practical ends that are fully consonant with free inquiry and that may even be its essential condition. Certainly one of the greatest of cultural tragedies was the sterility of German learning that removed the scholarly enterprise of that nation from a genuine critical involvement with the affairs of the society and state and thereby contributed importantly to the possibility of the tyranny that was to destroy the very foundations of intellectual life. Whatever pressures may be brought upon him, the scholar must forever refuse to forfeit his role as a critic of his society, just as he must never fail to faithfully describe and represent it.

But criticism in itself is not sufficient. The meaning of education relates to the total life of the individual and its aims are directed especially and primarily to the cultivation of his intellectual capacities. But the individual cannot in fact be abstracted from his society in either the determination or pursuit of his values, and the full purpose of education involves the strengthening and the perpetuation of the culture. The American scholar and the American school must now fully assess their responsibilities both general and specific and measure their resources against the large problems that are now faced by every individual and that confront our society. Our Nation is in deadly peril and the world of our values is torn internally and threatened from without. Nothing less than our full commitment and determined effort will bring to them the strength that may mean the difference between their life and death.

In the pursuit of these large tasks we face many problems. Not the least of these lies in our general carelessness in the support of the basic branches of learning. Our large involvement in technological education is understandable, but even the progress of our technology is endangered by our too small investment in theoretical science, and our academic neglect of the humane studies and the fine arts can have a seriously damaging effect upon our culture. One of the major deficiencies in our national effort to meet the challenges before us is the almost complete failure of the American people to recognize that the strength of a nation lies in its art and music and literature, and in its philosophical sophistication and the quality of its social sciences, just as much as in its physics and chemistry or its electrical engineering. When we raise the question of the survival of our Nation it is a question in proximate range of statesmanship and machinery. But when we speak of the decline or rise of our culture and the strength of the Nation for the long haul ahead, it is a question of the full cultivation of our spiritual, artistic, moral, and intellectual resources. Those who suppose that great music or great poetry or a knowledge of classical literature are not essential to not only the quality but even the survival of a nation and its culture are quite unaware of the lessons of the past.

Today we are confronted by internal forces that are already injuring the spirit and morale of our people. We have known for a long time that petty demagogs and tyrants can achieve some following in this country. But this time they are raising their heads in a shrewd and calculating manner that deceives large numbers of the unsuspecting and even promises to endanger intellectual freedom in the name of national security. Such efforts must be resisted with great strength, for the loss of that freedom would entail the loss of most everything that is precious in the foundations of our society. Those who contribute to the destruction of freedom, whatever their purposes or intentions, assume for themselves an ominous responsibility. It is now one of the great tasks of those in academic life to stand firm for the preservation of intellectual freedom and to demonstrate by their own integrity, wisdom, sense of responsibility, and commitment to high purpose that the salvation of our Nation does not require the destruction of its own highest values.

To put it briefly, the large and continuing crisis in which we now find ourselves as a nation and as individuals is a crisis in the liberal ideal out of which our basic values have come, and which is quite certainly at once the genius of and the finest product of Western culture—the recognition of the ultimate worth of the individual person, the valuing of knowledge for its own sake as well as for its uses, the faith that human reason is the most reliable instrument for solving human problems, and the commitment to the well-being of the individual as our noblest end. Today as never before we must cultivate the broadest human sympathies and a genuine identification with the whole of mankind. Our past local and national isolations are gone and the provincial attitudes that arose from those isolations are doomed to die. The instruments of education must be employed to more adequately prepare us for the new world-mindedness that must replace those attitudes.

It is a basic assumption of democracy that there is a coincidence of the good of the individual with the good of society, that the pursuit of the good of the individual will in some way contribute to the quality, stability, and strength of the society taken as a total entity. It is now our task to justify that faith and by serving the high principles of a free society build a future whose course is determined by those who are true lovers of freedom and for whom the worth and dignity of the individual is the proper foundation of social policy and social action.

We must refuse to believe that the historic possibilities of our culture have all been laid before us. We must refuse to believe that the future is closed. We must refuse to believe, as the Marxists insist, that the course of history is determined and that the decline of our culture is inevitable. By the quality of our educational effort and by the force of our commitment and our determination we must justify a new confidence in our power to affect the future.

We must cultivate in our people such a sense of high vocation and high purpose, and so adequately equip them with knowledge, good will, and courage, that they will not be frustrated or daunted by the monumental tasks that lie before us. Whether we like it or not, our enemy is deadly serious; his power is immense, and he is playing for keeps. Nothing less will do for us now than a new intellectual, moral, and spiritual vitality that will overwhelm the demonic forces of regimentation that are arrayed against us and establish the autonomy of freedom over the otherwise meaningless and destructive course of human history. Above all else, our commitment to the individual and his freedom must prevail. For those who have known the meaning of freedom, life on any other terms would not be worth the living.

## SERVING HARD LIQUOR IN THE SENATE PORTION OF THE CAPITOL

Mr. MORSE. Mr. President, I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks an article entitled "Move To Bar Serving Hard Liquor in Senate Building," published in the Virginia Methodist Advocate of May 10, 1962, dealing with my proposed amendment to the Senate rules which would prohibit serving of beverages of more than 24-percent alcoholic content in the Senate wing or the Senate Office Buildings, except in private offices.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

MOVE TO BAR SERVING HARD LIQUOR IN SENATE BUILDING

WASHINGTON, D.C.—A move to bar the serving of hard liquor in the Senate portion of the U.S. Capital has received endorsement of two Methodist officials.

Senator WAYNE L. MORSE, of Oregon, introduced an amendment to rules which would prohibit serving of beverages of more than 24-percent alcoholic content in the Senate wing or the Senate Office Buildings, except in private offices.

Support was offered by Bishop F. Gerald Ensley, of Des Moines, and the Reverend Dr. Caradine R. Hooten, of Washington, D.C., president and general secretary, respectively, of the General Board of Christian Social Concerns. Their telegram read, in part:

"In this crisis the people of America depend upon clear and reliable thinking by our trusted leaders. Loyal citizens will applaud the efforts of Congress to remove the depressive and stupefying effects of alcohol from tax-supported places where important decisions must be made."

## CHANGING PATTERNS OF DEFENSE PROCUREMENT

Mr. HART. Mr. President, a Defense Department study entitled "Changing Patterns of Defense Procurement" was front page news across the country yesterday.

It was an excellent report. I was delighted with it because it riveted attention on a problem that has concerned me since the day I joined the Senate.

The pattern has long been self-evident to many of us. Still, I think the report told a story that most citizens were not fully aware of.

Why? Because they only learned of it in bits and pieces: an aircraft plant phased out here, a tank line closed down there, an air defense base abandoned, a small arms contract terminated; each incident affecting one locality and reported, usually, only in local newspapers.

But all of these incidents stemmed from one cause: unbelievably rapid changes in technology. New demands for space age breakthroughs demanded defense industries based on clusters of management and research talent. Fewer giant systems managers took on larger and larger portions of defense contracts.

The one criticism I have to make of this report is that it was not delivered earlier. Perhaps some of the frightening things it reveals could have been averted if they had been sighted and reported 5 years ago.

Today the greatest geographical imbalance in defense fund expenditures is found in the distribution, by region and State, of research, test, and development contracts. Forty-six percent of the dollar value of this research and development work is presently located in industries and universities on our west coast. Forty-one percent is in the State of California. These facts raise many questions—questions for responsible leadership in other States; questions for the Congress. It is critically important because we know that this distribution pattern of today's research and development work is setting the geographical distribution pattern for much of tomorrow's follow-on work. We are today establishing the geographical pattern for major defense production expenditures of 1966, 1967—and—yes, of 1970.

Given this fact—and all past evidence points in this direction—the Congress should ask whether national defense and defense-related research and development work of agencies such as NASA and the Atomic Energy Commission should be analyzed, planned, and brought into better geographical balance. The Congress should know whether it is good national policy to have half of our defense eggs in one State's basket 5 years from now.

But in addition, this report speaks out to the industrial, educational, labor, and community leadership of each State. It should encourage these leaders to initiate and develop the fullest partnerships between our great universities and industrial research facilities.

In Michigan, at the University of Michigan in Ann Arbor, this type of effort is already vigorously underway. At our other great universities this effort is hopefully beginning. Our smaller colleges, such as the Michigan College of Mining and Technology, understand that they have an important and critical role to play.

The Senate, through an appropriate committee, I believe, should undertake immediately a study of the economic impact of the policies and defense requirements presented by this study.

In July of 1959—6 months after I came to the Senate—and again last year, I proposed the establishment of a Senate select committee on the economic impact of our defense policies.

At that time, I used these words:

A select committee of the Senate should make exhaustive studies of the extent to which defense procurement policies in the United States are related to the national economy * * * to the end that these studies be available to the Senate in considering procurement policies for the future.

It is apparent that such a congressional analysis is even more timely today. And, once again, I submit a request for such a committee. The national attention given the Defense Department's study should create interest heretofore not attached to this proposal.

Let us have more honest appraisals of the very fundamental impact of defense and defense-related policies on the economy of the various States and regions—yes, on the Nation itself.

The Department of Defense report concludes:

The primary conclusion to be drawn appears to be self-evident. Certain institutions, certain companies, and certain communities have been far more alert, more active, and more effective in their quest for defense R.D.T. & E. contracts than others have been. The primary objective of the Military Establishment—through its procurement mechanisms—has been to find and to use the strongest capabilities for each essential requirement, whether for R. & D. or for production.

Defense policy stresses awards on merit. Local initiative seeking defense business must direct itself to the creation of capability responsive to the exacting needs of modern warfare. Communities which fail to recognize this fact, and which fail to energize and mobilize their institutions to adjust to it, cannot reasonably anticipate a major role in future defense procurement.

This is a strong message but it is on this message that I know we can find the basis for constructive analysis of where we go from here, not only in Michigan but in all of our States and regions.

And I think attention by the type of congressional committee provided in the resolutions I have offered would help importantly.

The PRESIDING OFFICER (Mr. PROXMIRE in the chair). Is there further morning business? If not, morning business is closed.

## EXTENSION OF EXISTING CORPORATE AND EXCISE TAX RATES

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The PRESIDING OFFICER. Without objection, the Chair lays before the Senate the unfinished business, which will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 11879) to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, and for other purposes.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

## A CALL FOR YANKEE INGENUITY

Mr. WILEY. Mr. President, on the floor of the Senate today I am reporting some matters that came to my attention in the last few days while I was back in my State. I had the privilege of speaking to a large group of people, perhaps 3,600, in an auditorium, and I had the privilege of speaking to some veterans on another occasion, and also visiting a large percentage of our people, the rich and the poor. I wish to say that I found what I believe to be something which merits consideration by all of us. I have talked to laboring men and businessmen, and today I would like to discuss a matter of grave concern to every segment of our society.

I have always considered the U.S. Senate as not only one of the most powerful governing bodies in the world but also as the forum for some of the most alert and responsive observers in the United States.

For the safety and welfare of our people throughout the Nation we must conduct a 24-hour daily watch to preserve our freedom of constitutional rights for every American as well as to promote the economic opportunities so that every American can have faith and hope of providing a good life for himself and his beloved ones.

It is obvious that without economic opportunity our freedoms of the constitution are endangered and emasculated. It is obvious that the welfare of our Nation requires good economic health. Depressions breed regimentation and mental illness on a national and worldwide scale.

The United States has become the harbinger of the economic mood of the entire world. Uncertainty and lack of purpose can and do bring dismay to every country in the Western World.

The pall of doubt and insecurity once spread throughout the world is translated into reduction of purchasing American exports, hoarding of funds, minimizing

of inventory reserves, and ultimate reduction in American production with concomitant unemployment and despair.

Specifically, the United States has been dealt a devastating financial blow to its pocketbook. The full magnitude of the impact of the stock market crash is one which requires immediate consideration and correction. Ignoring the consequences will result in a downturn of production and trade which this Nation cannot afford. Each of our economic yardsticks is adversely affected by a stock market crash. Gross national product is reduced, industrial production is limited, nonfarm employment falls off, and personal income, retail sales, and corporate profits are crippled. Since January 1962, stockholders in key American securities have been losing faith in our American economic life and this lack of confidence is amply reflected in the stock averages. The stock market has been described as the only barometer capable of creating its own weather. Since 1900, three out of four stock crashes have been followed by depressions.

The New York Stock Exchange has reported that more than 15 million Americans own listed stocks. An untold number of stockholders own equities in pension funds accrued through management-labor contracts and relations. More than 50 percent of all American financial resources is undoubtedly in stocks; and in the past 6 months approximately $150 billion have been destroyed in security values, according to Barron's Financial Weekly of June 18, 1962.

Mr. President, I ask unanimous consent to have the article printed at the conclusion of my remarks.

There being no objection, the article was ordered to be printed in the RECORD.

(See exhibit 1.)

Mr. WILEY. Mr. President, it is time to act when brokers and banks throughout the country are sending out mimeographed collateral calls for cash or catastrophe to borrowers who have invested in the security of America.

How many employees in industry have been informed that large percentages of their pension funds accumulated over years of employment have vanished?

A market crash retards capital improvements, it creates unemployment, it even destroys our international world prestige.

The solution is not simple. It calls for commonsense and experience. Dun and Bradstreet, in reporting on the increase in business failures last week, stated that the main reason for failure is incompetence. The second reason is a lack of managerial experience. These two factors claimed 41.9 percent and 36.1 percent, respectively, of all 1961 Canadian business failures as well, according to Financial Post, June 16, 1962. It will do no good to attempt to create confidence in business by mouthing words alone or by threatening retaliation. It is time for action in the forms of positive approaches to encourage business and industry to resume their forward progress toward increased production and world trade.

Let us take immediate steps to revise with prudence the rules and regulations governing investment in America. Let us provide immediate tax incentives now to business and industry so that we can all tool up and increase production by bringing wider distribution of American produce to all our citizens and the underprivileged in the rest of the world.

These are not simply my ideas; they are the ideas of laboring men and businessmen. Industry and labor should concentrate on increasing production, not decreasing it. This is no time for strikes.

The American Government must concentrate on improved distribution of our gross product, with the American Constitution as a guide—and it is a guide—with its checks and balances; yes, with its division of power into four parts—the executive, the legislative, the judicial, and, let us not forget, the residuum of power back in the States. I repeat: The Constitution is a guide which provides for the promotion of the general welfare and the securing of the blessings of liberty to ourselves and our posterity.

To suggest that only speculators are being hurt is ridiculous. Fifteen million Americans own stock. Senators own stock. They have seen stock prices go down, in some instances, 50 percent. So to suggest that only speculators are being hurt is ridiculous. To delay the necessary correction of investment and collateral rules is cruel and senseless. What do we mean? Some of the rules require collateral of 70 percent at the time stock is bought. Now that has all been wiped out. People have had to sell their stock. We can get the economy rolling forward immediately with action and the restoration of a favorable economic climate.

A search must begin immediately not for vacant buildings to establish relief distribution centers but for potential areas toward which increased distribution of our gross national product can be channeled. Only by improving commerce can the Nation flourish generally, business improve, and employment increase. Let us now get our Yankee ingenuity back to work.

Yankee ingenuity has always been adequate. The trouble is that much of it, apparently, has not been active. There is too much faith that Uncle Sam will do the job. But something more than Uncle Sam is required. Of course, it is necessary that Uncle Sam make a change in the rules. But then we must have faith in our great country, with its great potentialities. There must be faith on the part of the American people, many of whom have seen the value of their stock depreciate.

EXHIBIT 1

FAREWELL TO RECOVERY?—THE NATION MAY BE FACING A BUSINESS DOWNTURN

In any future chronicle of Wall Street—to be written, one may hope, by economic scholars more clear-eyed than those with which the Nation lately has been blessed—a man named Edward M. Gilbert, former president of the E. L. Bruce Co., will command a lengthy chapter all his own. Once familiar only to avid readers of the business and society columns, Mr. Gilbert, who decamped for Brazil last week amidst a spate of ugly charges, now belongs to history. For his troubles sprang directly from the drastic decline in the value of his holdings in Celotex Corp., the bulk of which he had acquired with borrowed money. In order to protect his equity in a plunging market, it appears, the hard-pressed Mr. Gilbert tapped his own corporate till for roughly $2 million. Literally overnight, as a consequence, the erstwhile tycoon became a fugitive from justice.

In the process, however, Edward Gilbert has also carved out an enduring niche in the annals of finance. For the staggering shift in his fortunes, while more dramatic than most, serves to point up the explosive and far-reaching impact which the crash in stocks is likely to have on the rest of the country. The United States has suffered a severe jolt to its pocketbook, the full magnitude of which remains to be seen. What is growing painfully clear is that the effects will not be confined to Wall Street. On the contrary, despite an uninterrupted flow of reassurance from high places, as well as an impressive array of dated bullish statistics, signs of impending trouble are multiplying fast. Calling a downturn in production and trade is a chancy and thankless proposition. Nonetheless, the evidence suggests to Barron's that the short-lived business recovery—like the ill-fated Kennedy bull market—has gone by the board.

Such a view, to be sure, currently is shared by few. To judge by the record, most observers, in and outside of Government, remain optimistic on the business outlook. In support of their stand they can cite some imposing figures, including a continued rise in personal income; a probable recordbreaking second-quarter gross national product; peak industrial output in May; high employment and brisk automobile sales. Thus, the Secretary of the Treasury told a Senate committee last week that "the economy is still moving ahead" and will continue to do so at least through next spring. Added Mr. Dillon, with his cutomary vast aplomb: "There are no signs of a recession now."

From the seats of the mighty, as the United States has learned more than once to its cost, the visibility tends to be low. Mr. Dillon is likely to prove another case in point. For even as he voiced his unruffled forecast of continued fair weather, the economic skies were beginning to cloud. Last week, for example, the Department of Commerce disclosed that in the first quarter of 1962, total corporate profits, as well as manufacturers' profit margins, failed to match those of the previous 3 months. Commerce also noted a 1-percent decline in retail sales for May. Furthermore, the latest weekly figures on production and trade are scarcely reassuring. For the second week running, freight carloadings in the 7 days ended June 9 dropped below the comparable year-ago levels; in the same week department store sales scored only a 1-percent gain over 1961, the poorest showing of the year. Finally, although leaders of industry remain outwardly cheerful, their purchasing agents are dour. A business confidence index compiled every month by Purchasing magazine slipped in June to a 17-month low.

While inconclusive, the scattered data cited above have an ominous look. Nor is one reassured by a more complete profile of the latest business cycle, provided by the authoritative National Bureau of Economic Research. In its annual report, dated June 1962, the bureau compared the course of the recovery which began in February 1961 with that of its postwar predecessors. By each of six yardsticks—gross national product, industrial production, nonfarm employment, personal income, retail sales and corporate profits—the 1961–62 upturn stands revealed as more or less seriously laggard. Since January, the business pickup thus has fallen short not merely of inflated official yearend predictions, but also of the post-

war average. As to the future, NBER is discreetly mum. Nonetheless, it is worth noting that out of 29 so-called lending indicators, roughly half reached their highs last fall and winter.

Even prior to Black Monday, then, the recovery was halting and uneasy. To its burdens has now been added the weight of a major decline in the stock market, which, to change the figure of speech, has been called the only barometer capable of creating its own weather. True enough in the past—three out of four crashes in the 20th century have been followed by slumps in business activity—the metaphor, even in a day and age which would like to reject old shibboleths, slogans, and myths, remains uncomfortably timely. Nor is it hard to see why this should be so. The New York Stock Exchange has estimated that the United States boasts over 15 million shareholders. According to the Federal Reserve Bank of Philadelphia, stocks accounted for nearly half of the public's financial resources at the end of 1959 (and doubtless a higher percentage 2 years later). Finally, in the past 6 months—and especially in recent weeks—the plunge has wiped out an estimated $150 billion in security values. While much of this sum may have existed only on paper, people are unmistakably poorer.

The impact on business is apt to be equally profound. On this score most observers dwell on the blow to confidence, a psychological element in corporate decision making which cannot be ignored. A falling stock market, however, also has a direct effect upon corporate activities. In a few cases, like that of the unfortunate Mr. Gilbert, it suddenly lays bare an overextended financial position; throughout industry, by definition, it shrinks equity values. On both counts it thereby tends to make lenders more tightfisted. At the same time, of course, a market crash dries up the sources of risk capital. Since the turn of the year, according to a recent estimate by the SEC, registrations covering approximately $500 million worth of prospective new issues, filed by 130-odd companies, have been withdrawn. Finally, as Alan Greenspan has demonstrated so persuasively, "a fall in stock prices * * * will induce a fall in the ratio of present worth of discounted expected future earnings to newly produced capital," and, in consequence, a decline in industry's propensity to invest. Sooner or later, in short, both consumers and businessmen feel the pinch.

That painful day may now be close at hand. In the circumstances it is idle to pretend, as Washington has done, that nobody has been hurt but speculators, or that, as one inspired Wall Streeter put it the other evening, the market has completed a healthy readjustment. If the past be any guide, difficult times lie ahead. Reasonable men may differ as to how to deal with adversity. However, the first step surely is to recognize that it exists.

## NEW DECLARATION OF FREEDOM URGED

Mr. KEATING. Mr. President, earlier this week the House of Representatives passed a joint resolution (H.J. Res. 717) declaring January 1, 1963, as Emancipation Proclamation Day, to commemorate the 100th anniversary of President Abraham Lincoln's freeing of the slaves.

Thereafter, there was introduced in the Senate a joint resolution (S.J. Res. 200) providing that a Century of Freedom Committee be appointed by the President, in order to prepare appropriate national ceremonies and to assist State, civil, patriotic, hereditary, and historical organizations in their local celebrations. This is, of course, an ideal time to reemphasize and give wider public knowledge to the accomplishments in the past century of American Negroes.

At the same time, this would also be an excellent occasion on which to reaffirm the inalienable rights of all Americans of every race and creed. Last year I submitted a resolution (S. Con. Res. 45) requesting the President to issue a declaration of freedom in commemoration of the Emancipation Proclamation. I wish to reiterate that idea. What better opportunity could there be for the leader of our country to step forward proudly to confirm the individual rights of American citizens than in anniversary of an event already recognized in both this country and in the rest of the world as one of the great triumphs of human rights. In this period in our struggle with communism, a system which subordinates human rights to the rights of the state, it would be desirable and highly effective to restate our faith in human dignity and freedom.

An American declaration of freedom would echo around the world. Just as the Emancipation Proclamation stirred public opinion in England toward the Union while official consensus in England was friendly to the Confederacy, so a new declaration could influence today's populations, particularly those of the emerging nations. These are people whom we must reach. As Americans, we are proud of our heritage. We must take every opportunity to remind the people of the world, as well as the cross burners and racists in our own land, of this heritage and of our continuing dedication to justice and liberty for all.

It may surprise some to learn that the Emancipation Proclamation was not universally acclaimed when it was first promulgated. The antiadministration press was quick to heap criticism on Lincoln. Northern and southern critics alike responded, from the New York Herald—which called the proclamation "unnecessary, unwise, ill-timed, impracticable, and outside the Constitution"—to the Richmond Examiner—which called it the "most startling political crime and the most stupid political blunder known in American history." The Ashland, Ohio, Journal called Lincoln a "tyrant and a usurper." In the 1862 gubernatorial election in New York, the soon-to-be-enacted emancipation was used by supporters of Seymour in their efforts to defeat the Republican candidate, Wadsworth.

Fortunately, Lincoln was not dissuaded by these pressures, even though on two separate occasions he was tempted to modify or forget the whole plan. Instead, he announced it several months in advance, and allowed time for the public to adjust to the idea. By setting the proclamation at the New Years' date, he was able to capture the holiday spirit and to encourage the notion that it was a time to begin new things.

We are again at such a crossroad. There are no slaves to be freed and no civil wars to be fought, but throughout the world freedom is faced with very real challenges against which the strength of America is dedicated.

Important advances in civil rights have been made in the century since the emancipation; but, as all of us know, there is much still to be done. No American citizen can rest until every other person is treated with equal dignity and the goal of liberty for all is attained. Adoption of my resolution would help assure that the 100th anniversary of the Emancipation Proclamation will be more than a glance to the past. I urge that we use this anniversary as the occasion for a new declaration of freedom to serve as a definition for the future.

(At this point Mrs. NEUBERGER assumed the chair as Presiding Officer.)

## ADMINISTRATION SUGAR BILL SHOULD REPLACE HOUSE BILL

Mr. PROXMIRE. Madam President, this morning's Washington Post carried an editorial entitled "Sugar and Spite." It is a sharply worded but entirely justified critique of the sugar legislation proposed by the House Agriculture Committee, and passed last week by the House of Representatives. As in the past, the timing of the House action was such as to leave the Senate only a very few days in which to consider this legislation, which has important implications for domestic sugar growers and foreign sugar interests, as well as for the sugar consumers.

Earlier this year, the administration proposed a bill which provides a fair, reasonable solution to the sugar problem. Unfortunately, the House rejected the most important features of the administration bill, in favor of a cumbersome legislative vehicle that allocates U.S. sugar imports among a large number of countries, with no apparent logic except the varying pressures brought by well-heeled sugar lobbyists.

The present Sugar Act expires on June 30. In my opinion, it would be better to pass no new sugar legislation, rather than to adopt the country-by-country approach of the House bill. As a form of foreign aid, this allocation of the sugar quota has little to recommend it. Certainly it would be far better to make cash donations from the U.S. Treasury to the countries involved, rather than to parcel out subsidies to the owners of sugar operations in these nations, whose activities may have little or no relation to the longrun development aims of our foreign-aid programs.

The administration sugar bill is a good one. It has wide sponsorship in the Senate, and there is every indication that it will be approved in the Finance Committee. I urge that it be adopted, and that the House version be rejected emphatically. My concern about this will, of course, extend to any "compromise" adopted in the House-Senate conference which is likely to take place. So far as this Senator is concerned, there can be no compromise between earmarked subsidies to foreign producers and the administration bill.

I ask unanimous consent that the editorial from this morning's Washington Post be printed at this point in the RECORD. I also ask that an article by

Jack Steele, which appeared in the Washington Daily News on Saturday, be printed at this point in the RECORD. Mr. Steele's article reports on the substantial fees which would be earned by Washington lobbyists for oversea sugar interests if the House bill were enacted.

There being no objection, the editorial and the article were ordered to be printed in the RECORD, as follows:

[From the Washington Post, June 25, 1962]

SUGAR AND SPITE

There are welcome sounds in the Senate of resistance to the highhanded manner in which the House Agriculture Committee drafted the sugar legislation that went whizzing through the lower Chamber with accustomed speed. Members of the Senate Finance Committee, where hearings concluded Saturday, are bristling with irritation at the tactics of the House group, which has a habit of dumping complex sugar legislation into the hopper when there are only days left before the existing law expires.

"This is the worst sugar bill I have ever seen," was the tart remark of Senator BYRD, chairman of the Finance Committee. Ironically, it was passed by the House immediately before the farm bill was killed amid cries of "regimentation." Yet, as Senator GORE noted, the House saw no such defect in a sugar bill that imposes the most stringent controls in order to protect producers. It all seems to depend on whose quota is being fixed.

As Senator FULBRIGHT remarked, there is little justification for treating sugar legislation in a special category apart from the farm bill. It may be that in 1934, when the present program originated, its tariff features justified some special treatment. But no one then contemplated that the program would swell into a vast global boondoggle in which the consumer is asked to pay premium prices for imported sugar in order to conceal the subsidy granted for domestic beet and cane growers.

* * * * *

In short, in order to hide that "sore thumb" in a thicket of subsidies, the American taxpayer paid out $672 million last year to protect the domestic industry and underwrite an extravagant program of bonus payments to oversea producers. * * * But there are other mysteries about sugar that Senators GORE, FULBRIGHT, and the redoubtable PAUL DOUGLAS will want to examine.

How, for example, did the House committee riddle the sugar bill with so much unexplained favoritism? Why were 15 new areas brought into the quota program while sand was tossed in the eyes of nearby friendly countries? One such country is the Dominican Republic. Ironically, when Rafael Trujillo was dictator, the House committee leaned over backward to avoid giving offense to the Dominican regime. But now that a democratically oriented government is struggling to prevail against leftwing and rightwing extremism, the sugar legislation passed by the House does as little as possible to help.

There is an uproar now in Santo Domingo, where the residents are unaware of the intricacies of congressional politics. They can't understand why such remote countries as Mauritius and the Fiji Islands are awarded quotas when hemisphere republics highly dependent on sugar exports are brushed aside. Senator FULBRIGHT remarked on the lavish lobbying prompted by the present system. How much of a part did this play? Isn't it time to drop a blockbuster on a lobby that seems to swarm like fruit flies on Capitol Hill whenever the sugar melon is being carved?

[From the Washington Daily News, June 23, 1962]

A UNIQUE PROBE—HILL UNIT ASKS WHO DID GET THE SUGAR

(By Jack Steele)

The Senate Finance Committee today ordered all sugar industry lobbyists to file full reports of their fees and expenses before the Senate acts on a House-passed bill which is enmeshed in a lobbying scandal.

The unique order applies to those lobbyists hired by both foreign and domestic sugar producers, who would collect nearly $600 million a year in "subsidies" under the House-approved bill. The subsidies ultimately would be paid by U.S. consumers.

The action was demanded by Senator J. WILLIAM FULBRIGHT, Democrat, of Arkansas, chairman of the powerful Senate Foreign Relations Committee, and was ordered by Senator PAUL H. DOUGLAS, Democrat, of Illinois, as acting chairman of the Finance Committee.

It came after the Finance group devoted a stormy 8-hour hearing yesterday largely to efforts to unravel the hefty fees paid to lobbyists for foreign sugar interests to induce Congress to boost their sugar quotas or establish new ones.

THREE DISTRICT OF COLUMBIA FIRMS

The committee revealed that at least three Washington lobbying firms stand to collect fat "contingent" fees if the House-passed sugar bill is enacted. They are:

The law firm of Oscar Chapman, former Interior Secretary, which represents sugar producers of Mexico.

The law firm of Donald Dawson, onetime White House aid to former President Truman, which represents sugar producers of India.

The consulting firm of A. S. Nemir Associates, which represents the sugar and alcohol producers of Brazil.

FULBRIGHT said that, while such fees are legal, the American people and Congress have a right to know "what kind of pressures are being generated for legislation" that would cost consumers $600 million a year.

He also charged that most lobbyists for foreign sugar interests were violating the Foreign Agents Registration Act by failing to file with the Justice Department complete reports of their fees and expenses.

Douglas promptly ordered the committee's staff to send telegrams to all lobbyists who have pushed the sugar bill, directing them to file such reports with the committee immediately.

He charged U.S. consumers have footed the bill for more than $4 billion in "subsidies" to foreign and domestic sugar producers in the last 15 years and that the House bill would add $2.5 billion to this in the next 5 years.

Noting that lobbyists for more than a score of countries—ranging from South Africa to the Fiji Islands—were seeking to sell more sugar to the United States at prices nearly 3 cents a pound above the world market, Douglas asked:

"Do you think there is no limit to Uncle Sam's largesse?"

Chapman, first of the foreign lobbyists to appear before the Finance Committee, was asked by Senator THRUSTON MORTON, Republican of Kentucky, about his fees.

The former Interior Secretary said his firm was paid a retainer of $50,000 a year by Mexican sugar interests and a "small percentage" as a contingent fee. The latter turned out to be 25 cents a ton for any increase in Mexico's sugar quota.

This contingent fee, under the House bill, would add $26,750 to the fee of Chapman's firm this year—bringing it to $76,750. The fee presumably would continue for 5 years under the House-passed bill.

CONTINGENT FEE

James W. Riddell, a Dawson partner, said his firm would collect $99,000 in fees, plus $15,000 in expenses, from Indian sugar interests under the House bill.

He denied at first this was a contingent fee, but finally admitted to FULBRIGHT that the Dawson firm would collect only $50,000 and $5,000 in expenses if India got no sugar quota. The House bill would give India its first sugar quota of 130,000 tons.

Albert S. Nemir said Brazil sugar producers would pay his firm a minimum fee of $25,000, plus a "small" contingent fee based on the value of all Brazilian sugar sold to the United States.

## OPPOSITION TO TAX DEDUCTION FOR EXPENSES IN CONNECTION WITH LOBBYING

Mr. PROXMIRE. Madam President, in yesterday's New York Times there appeared a letter from Mr. Robert H. Clarke, of Princeton, N.J., calling attention to the windfall for business pressure groups that would result if section 3 of the tax bill, as presently drafted, were enacted. Incidentally, that section was included in the bill as passed by the House of Representatives, and it is now in the bill.

This is the provision which authorizes a tax deduction for expenses incurred in connection with lobbying. There is no question that the effect of this section would be a substantial gain for business lobbying groups. No such assistance would be available to private individuals lobbying for causes in which they believe—be they left, right, or center—or for groups, such as the League of Women Voters, which do not have a "business interest" in legislation.

On April 6 of this year, I appeared before the Senate Finance Committee, at my own request, to testify against this section. I ask unanimous consent that my testimony be printed at this point in the RECORD. I also ask unanimous consent that Mr. Clarke's letter to the editor of the New York Times be printed at this point in the RECORD.

There being no objection, the statement and the letter were ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR PROXMIRE

LOBBYING ACTIVITIES

I oppose the tax deduction for lobbying expenses because it would give a thoroughly unjustified tax advantage to special business interests over the public interest.

Contributions to lobbying organizations that fight for their ideals—be they left, right, or center—are not tax deductible. Contributions to groups like the American Civil Liberties Union, the Americans for Constitutional Action, and the League of Women Voters are prohibited by law from tax exemption.

But if this provision is enacted, special interest business groups, whose financial interests may run counter to the public interest, will get a juicy tax break.

This proposed new tax deduction is the one part of the bill that is flatly opposed by the Treasury.

This is one of the very few significant changes made in the law in years on which the House Ways and Means Committee conducted no hearings.

Section 3 of the bill would allow businesses and trade associations, but not the ordinary citizen nor the individual specialist, to deduct costs incurred in connection with promoting or opposing particular legislation. The bill as presently written would allow deductions for not only the expenses of appearances before congressional committees, but also expenses involved in personal contacts with individual Members of the Congress, personal contacts with State and local officials, and all expenses incurred by trade associations in propagandizing a particular point of view with their individual members.

I consider this provision of the bill wholly indefensible on several different grounds. First, from a legislative standpoint, the Ways and Means Committee has held no hearings on this particular measure. Certainly there should be an opportunity for the general public to be heard by the Ways and Means Committee on this subject before the legislation is enacted.

Second, from a legal standpoint, section 3 of the bill represents a change in a long-standing principle which has been supported on several occasions by Federal courts, including the Supreme Court. The Internal Revenue Code provides for deductions only for "ordinary and necessary" expenses. It is far outside the "ordinary and necessary" income-producing procedures of business to attempt to influence legislative decisions. While the Treasury Department has apparently not attempted to enforce fully its present regulations, dereliction of duty should not be a justification for legislative change.

Third, the proposed change can be criticized on equity grounds. It clearly and explicitly discriminates in favor of business lobbying and against lobbying by private citizens or individual specialists. Thus the provision serves to rig the odds against legislation for the general well-being, and in favor of specialized legislation for the few. It is difficult enough at present for the individual legislator, to obtain information on both sides of the questions upon which we must legislate. In effect, the new provision means that some tax funds now coming to Uncle Sam will be returned to businesses and trade associations in order that they can present their case more effectively, while at the same time discouraging individuals, who presumably have less capacity to meet lobbying costs, from incurring those costs. Thus the flow of information to legislators is diverted so that it comes more freely from certain sources and is less available from other sources.

Fourth, the proposed section can be criticized on economic grounds. The Federal Government, through this measure, will be subsidizing the diversion of resources away from productive output for the benefit of the national economy into specialized propagandizing purposes designed solely to benefit the few. These proposed deductions are not equivalent to deductions for advertising. Advertising is intended to disseminate knowledge to the many about products which are available in the market. The proposed deductions are for expenses designed to influence the few for the special benefit of a few.

The proposed provision on lobbying expenses will not only discriminate against certain nonprofit lobbying organizations, such as the League of Women Voters. These organizations, like industry trade associations, are usually nonprofit and are generally not subject to tax on their own activities. However, contributions to these organizations, like contributions to industry trade associations, are only deductible by the contributors to the extent that the contributions are not used by the associations to support lobbying activities. Section 3, of H.R. 10650, would permit contributions to trade associations to be deductible even though the contributions were used by the trade associations for lobbying purposes. This change would be made on the grounds that the contributions were "ordinary and necessary" business expenses. However, contributions to organizations such as the League of Women Voters would not be deductible to the extent that the League engaged in lobbying activities because the contributions in that case—under the proposed bill—would not be considered as "ordinary and necessary" business expenses. Therefore, the bill tends to discriminate in favor of lobbying activities by industry trade associations and against lobbying activities by certain other groups which have been of great assistance to legislators in the past.

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[From the New York Times, June 24, 1962]

TAX AID FOR LOBBYISTS—WINDFALL FOR PRESSURE GROUPS SEEN IN SECTION 3 OF BILL

To the EDITOR OF THE NEW YORK TIMES:

In the current controversy over new tax legislation a very important provision of the bill now under consideration by the Senate Finance Committee has escaped public attention. I refer to section 3 of H.R. 10650, a section added to the administration's bill by the House and opposed (though without any comment) by Secretary Dillon in his appearance before the Finance Committee on April 2.

Section 3 as it passed the House would permit a tax deduction for costs relating to appearances before, presentation of statements to, or communications sent to a legislative body, legislative committee or individual legislator (Federal, State, or local), if the expenses are otherwise ordinary and necessary business expenses.

A further deduction is allowed for the portion of dues paid an organization which is used for legislative expenses, to the extent that they are related to the businesses of its members, as well as for the expense of communication of information between the taxpayer and the organization with respect to legislation.

Section 3 does not permit deduction of expenses incurred in efforts to influence the public (e.g., through advertising) or of expenses connected with political compaigns; but this provision is under attack by the advertising industry, certain newspaper publishers, and public utility companies.

POWER IMBALANCE

As Senator PAUL DOUGLAS pointed out during the Finance Committee hearings, section 3 constitutes a windfall for business pressure groups and would seriously accentuate the already existing power imbalance between organized producer economic interests on the one hand and consumer and ideological interests on the other.

For the first time, profitmaking organizations would be granted deductions for the lobbying activities they conduct. Business men or firms could deduct dues paid to lobbying organizations, provided these organizations act in behalf of legislation in which the contributor has a business interest.

Unfortunately, section 3 grants no corresponding benefit to those lobbying organizations (such as the League of Women Voters, NAACP, and Committee for Constitutional Government) whose advocacy of legislation springs from their ideals of justice or general ideological commitments, which have no direct connection with their members' "business interests."

If enacted, this "sleeper" provision of the current tax bill might very well in the long run have a far more profound effect upon the American economy and polity than the President's much-debated dividend withholding and investment credit proposals.

ROBERT H. CLARKE.

PRINCETON, N.J., *June 15, 1962.*

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## SOVIET AGRICULTURE—WHY IT HAS MADE LITTLE PROGRESS

Mr. PROXMIRE. Madam President, in the current issue of Foreign Affairs, the quarterly review, there is a very fine article entitled "Soviet Agriculture Marks Time," written by a competent scholar named Alec Nove.

One of the most significant political developments internationally in the last few years has been the great failure of Communist agriculture. Many people have just assumed that this failure was related to drought or to some natural development in the Soviet Union. Some persons have contended that the failure of Soviet agriculture is due to the centralized control and the lack of individual incentive and individual freedom and opportunity for farmers—the kind of individual opportunity that farmers have in this country.

This study by Alec Nove discusses in some detail the very serious agriculture problems the Russians have.

The article is significant in implying the advantage the free world has over the Communist world because our farmers are increasingly more productive, whereas agriculture productivity in the Soviet Union has been brought to a surprising halt.

I want to call attention to the fact that, in spite of the vast agricultural resources in the Soviet Union, in spite of the new lands program, the most ambitious effort to bring new land into production, any country has engaged in, and which has brought millions and millions of acres of new land into production, what has happened is very startling.

The plan of the Soviet Union was to have in 1961 155.2 million tons of grain. Their performance was only 137.2 million tons of grain.

The Soviets planned to have 11.8 million tons of meat. Their performance was 8.8 million tons of meat. They planned to have 78.4 million tons of milk; 62.5 million tons was their performance.

Even more dramatic, I think, is the record of what has happened in grain production in the Soviet Union.

Primarily because of the rectification of some of the extreme mistakes made by Stalin, there was an expansion of Soviet agriculture between 1953 and 1958. Since 1958, whereas in the free world, and dramatically in the United States of America, productivity has enormously increased, in the Soviet Union the total grain harvest has actually dropped. It dropped from a high of 141.2 million tons of production in 1958 to 137.3 million tons last year, with no indication of any substantial increase.

I ask unanimous consent that the table on page 578 of the article in Foreign Affairs to which I have been referring be printed in the RECORD at this point.

The PRESIDING OFFICER. Is there objection?

There being no objection, the table was ordered to be printed in the RECORD, as follows:

| | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 |
|---|---|---|---|---|---|---|---|---|---|
| Total grain harvest | 82.5 | 85.6 | 106.8 | 127.6 | 105.0 | 141.2 | 125.9 | 134.3 | 137.3 |
| Harvested in virgin lands | 27.1 | 37.6 | 28.0 | 63.6 | 38.5 | 58.8 | 55.3 | 59.1 | (1) |
| Harvested in Kazakhstan | 5.4 | 7.7 | 4.8 | 23.8 | 10.5 | 22.0 | 19.1 | 18.8 | 14.8 |

[1] Not available.

Sources: For 1953-60, Narodnoe khozyaistvo S.S.S.R. v. 1960 godu, pp. 440-441; for 1961, Pravda, Mar. 6, 1962.

Mr. PROXMIRE. Madam President, some of the difficulties that are involved in the Soviet Union's startling failure to advance in agriculture are detailed on page 579 of this article. It is pointed out that the Soviets have engaged in one campaign after another to step up specific production in particular areas. These campaigns have been incredibly mistaken, because what they have done is persuade the Communist managers and others who are in charge of production on the farms to try to reach the campaign goals at all costs, and "all costs" have resulted in very bad farm practices that have impoverished the soil and resulted in great, downward production trends.

For example, in the first place, the nature of the campaign itself caused the plowing up of some land with unsuitable soil, or with excessively sparse rainfall.

Second, a surprisingly high proportion of the machinery is not kept in good repair and cannot be used, owing to lack of spare parts, skilled mechanics, and workshops. The situation has been getting steadily worse. Thus, there were 32,000 combine-harvesters inactive in Kazakhstan in 1959, but 60,000 were in disrepair at the start of the 1961 harvest.

Third, the right kind of rapidly ripening seed is seldom available. This, in combination with the shortage of working machinery, delays the harvest, and, in this area of early frosts, heavy losses result.

In the fourth place, the lack of amenities has driven away some of the permanent labor force.

In the fifth place, as I pointed out, the land has been badly misused.

One of the most significant observations of Mr. Nove is that the Soviet Union is now in a jam, because of its centralized policies of agricultural control, which makes it very hard to solve the farm problems.

I think all of us who are considering the most serious challenge of international communism recognize that in China the Government has been drastically weakened by famine, and in Russia the Government's whole economic program and its plans for challenging us have been drastically set back by these economic shortcomings.

Mr. Nove's article shows it is very difficult, no matter what Khrushchev does now, to work his way out of the problem. He implies it is going to take years before the Soviet Union makes substantial progress.

I direct this article to the attention of the Congress and the country because it seems to me, if this conclusion on the part of a competent scholar is true, we should be very careful and thoughtful of how we use our surpluses throughout the world. We have a tremendously useful weapon of economic and political power, and I think we can use that instrument particularly well when we recognize the very serious problems involved in the Soviet Union.

There is one other point I would like to stress, and that is that this weakness of the Soviet Union is attributable to centralized control. It is attributable to far too great a reliance on decisions made by the Central Government. I think that while we are far away from that kind of centralized control in our own agriculture, we should be very careful about revising our basic agricultural laws in this country, in view of the many advantages that our consumers have received, that our Nation and the whole free world have received, from our productivity, and in view of the great weakness which has been visited upon the Soviet Union economy because of its drastic and very complete control of all its agriculture.

Madam President, I ask unanimous consent that the article to which I have referred from Foreign Affairs, beginning on page 576, be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

SOVIET AGRICULTURE MARKS TIME

(By Alec Nove)

Nine years ago, Khrushchev addressed the first agricultural plenum of the central committee since Stalin's death. His frank exposure of the poor state of Soviet agriculture was followed by action along a wide front. Prices paid by the state for farm produce were substantially raised, investments in agriculture increased, peasant incomes showed a much needed and rapid rise from very low levels. Tax and other burdens on the private activities of peasants were eased, to the benefit of all concerned; for example, in 5 years the number of privately owned cows increased 25 percent. In 1958 a major organizational weakness was corrected: Tractors and other machinery formerly owned and operated by the machine tractor stations (MTS) were sold to the collective farms which the MTS had previously serviced (and also supervised). In 1958, too, the Government dropped its complex multiple-price system, under which farms received a low price for a quota of produce and a higher one for deliveries in excess of their quota; this was replaced by a single price for each product, with zonal variations.

The period 1953–58, then, was one of reform, of higher incomes, of large investments, of new methods. It was also one of higher production. The 1958 grain harvest set an alltime record. Sugarbeets and cotton also did very well. Milk yields benefited from the improved diet of the cows. According to the official statistics, the annual rate of growth of gross agricultural output in the 5 years 1953–58 was 8.6 percent. This would be a remarkable achievement, if the statistics were reliable, but there are ample grounds for suspecting some degree of exaggeration. Even so, no serious observer doubts that a substantial advance was recorded in these years.

No doubt, inspired by the figures with which they were supplied, Khrushchev and his colleagues projected an even more rapid growth of agricultural output in the 7-year plan (1959–65), and onward through 1970. Extremely ambitious plans were envisaged for meat production, in particular, and for other scarce items such as fruit and vegetables. Yet for 3 consecutive years since 1958 the figures have shown no appreciable change, merely some fluctuations reflecting better or worse weather. Indeed, grain harvests have been below the 1958 record. How far performance lags behind plan can be seen from the following table (totals are in millions of tons):

| | 1961 plan | 1961 performance |
|---|---|---|
| Grain | 155.2 | 137.2 |
| Meat | 11.8 | 8.8 |
| Milk | 78.4 | 62.5 |

Source: Khrushchev, Pravda, Mar. 6, 1962.

Allowance for statistical inflation of output would make the shortfall even greater. There is no doubt that Khrushchev is alarmed, because he has admitted as much at great length, and has proposed a number of remedies.

It is the purpose of this article to examine the reasons for the difficulties in which Soviet agriculture finds itself, and to assess the likely efficacy of the measures proposed to set matters right. But before doing so it is important to repeat that there has been a sizable advance since the death of Stalin, and that the crisis in Soviet agriculture is essentially to be seen as a failure to expand, a failure to measure up to very ambitious plans, rather than as a collapse. Various foods are in short supply in many cities at different times of the year, but there is some truth in Khrushchev's assertion that the shortage has been exacerbated by an increase in personal incomes (with retail prices broadly unchanged).

In considering the problems of Soviet agriculture, it is necessary to distinguish several types of difficulty, and, correspondingly, different kinds of policies or remedial measures. There is, first, the complex of problems related to soil utilization, agricultural techniques, equipment, and the like, which may be called problems of production. Secondly, there are questions connected with the peasants, with their private interests, incomes, incentives. Finally, there are the many problems of agricultural planning, administration, and control. These are all to some extent interconnected, as when, for instance, an administrative measure designed to improve technique affects the peasants' private activities. Nonetheless, it remains true that these various matters are to some extent distinct and can be separately analyzed.

II. PROBLEMS OF PRODUCTION

One of the principal objects—though not the only object—of Soviet farm policy is to increase production. Under any political system, this would involve overcoming se-

rious obstacles, for a large part of Soviet territory is unsuitable for agriculture. Where the soil is fertile there is usually a high risk of drought, and where rainfall is adequate the soil is generally poor. Two of Khrushchev's principal remedies—designed to provide more crops and especially more grain for human and animal consumption—were the virgin lands and the corn campaigns. The first involved enlarging the area of extensive farming, the second was an attempt to intensify farming. Both have now been running for 6 years or more, and so some assessment of their effectiveness is possible.

The virgin-lands campaign was a truly formidable undertaking. It added to the farmland of the Soviet Union an area equal to the cultivated land of Canada. Between 1953 and 1956, the total sown area rose from 157 to 194.7 million hectares. So great an expansion in so short a period has no parallel in agricultural history. It was achieved through a major diversion of machinery and with a minimum number of permanent settlers, reinforced at harvest time by migrant labor (volunteers or "volunteers," probably both). The areas brought under cultivation were in the northern half of Kazakhstan, in parts of west and central Siberia and in the territories east of the lower Volga and the southern Urals. The principal crop was grain, largely spring wheat. The following table gives the official production figures (in millions of metric tons) for the total grain harvest in the years 1953–61, with a breakdown showing that part of the total harvested in the virgin lands, of which Kazakhstan (shown as a further subtotal) is one region.

| | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 |
|---|---|---|---|---|---|---|---|---|---|
| Total grain harvest | 82.5 | 85.6 | 106.8 | 127.6 | 105.0 | 141.2 | 125.9 | 134.3 | 137.3 |
| Harvested in virgin lands | 27.1 | 37.6 | 28.0 | 63.6 | 38.5 | 58.8 | 55.3 | 59.1 | (1) |
| Harvested in Kazakhstan | 5.4 | 7.7 | 4.8 | 23.8 | 10.5 | 22.0 | 19.1 | 18.8 | 14.8 |

[1] Not available.

Sources: For 1953–60, Narodnoe khozyaistvo S.S.S.R. v. 1960 godu, pp. 440–441; for 1961, Pravda, Mar. 6, 1962.

Clearly, grain production did increase greatly through 1958. In 1954, the first year of the campaign, yields were good but little had yet been plowed. In 1955, on the other hand, drought ruined the crop; in Kazakhstan, for instance, yields in that year average a mere 3.8 quintals per hectare, against a nationwide average of 8.5 quintals in a not very favorable year. In 1956 the harvest was very good—the best to date in the areas with which we are concerned. The 1957 crop was a poor one. Since 1958, a good year, no further progress has been made, and the figures for Kazakhstan, the territory with the highest drought risk, have shown an alarming downward trend.

The difficulties encountered have been of the following kinds:

1. The nature of the campaign itself caused the plowing up of some land with unsuitable soil, or with excessively sparse rainfall. The causes of such errors will be discussed when we come to analyze administration.

2. A surprisingly high proportion of the machinery is not kept in good repair and cannot be used, owing to lack of spare parts, skilled mechanics, and workshops. The situation has been getting steadily worse; thus there were 32,000 combine-harvesters inactive in Kazakhstan in 1959, but 60,000 were in disrepair at the start of the 1961 harvest.[1]

3. The right kind of rapidly ripening seed is seldom available. This, in combination with the shortage of working machinery, delays the harvest, and, in this area of early frosts, heavy losses result.

4. Lack of amenities has driven away some of the permanent labor force, despite repeated criticisms of this state of affairs by Khrushchev and by many lesser officials.

5. The land has been misused. Spring wheat has been sown year after year, although there was no lack of warnings as to the consequences. Weed infestation, soil erosion, reduced natural fertility are all named as causes of falling yield. No acceptable system of cultivation and crop rotation has yet been agreed upon.

Despite these difficulties, the campaign to date has paid good dividends. It was clear from the start that there would be some bad years, and, whatever discount is made for statistical exaggeration, it is surely true that a substantial contribution has been made to Soviet grain supplies, which could not otherwise have been obtained so quickly. Moreover, poor weather conditions in the Ukraine have often coincided with good ones in Kazakhstan, so that one effect of the campaign has been to spread the risks somewhat.

The future, on the other hand, looks much less satisfactory. It is known that some of the newly opened lands are of good quality, while others appear to have been plowed up on orders from above and against the better judgment of local experts, but we do not know how much land may be in each category. Nor have we the means of assessing the extent of damage done by prolonged monoculture, or wind erosion, though these factors have certainly contributed to the steady drop in output and yield in Kazakhstan, where the bulk of the least suitable lands happens to be situated. Probably some of the plowed-up land will have to be abandoned. Remedial measures at present being discussed may well run into administrative difficulties, because of Khrushchev's strong distaste for fallow and grasses, which presumably should be extended in some areas if the land is to be saved. Increased application of fertilizer is unlikely to provide a solution because of lack of moisture. (Very little is used on the somewhat similar Canadian prairies, though rainfall there is slightly higher.) In all the circumstances, it would be sensible to assume that a bigger contribution will be needed from traditional agricultural areas, and that the Soviet Union will be fortunate if means are found to maintain average yields in these marginal lands at the modest levels of the last few years.

Khrushchev was conscious from the first of the need to increase substantially the output of fodder, particularly fodder grains, in the "old" cultivated areas. This was the primary object of his corn campaign, which was facilitated by the growing of so much wheat in the virgin lands. Corn had been neglected, and its acreage in 1953 was actually somewhat lower than in 1940 and 1950. To enforce a rapid change, Khrushchev had recourse to continuous propaganda and administrative pressures. As a result, the area under corn rose rapidly from 3.5 million hectares in 1953 to 19.7 in 1958 and 28.2 in 1961. With strong pressure to sow corn on good land and to give it a large share of the available fertilizer,[2] yields rose also, as the following table shows:

| | 1953 | 1958 | 1959 | 1961 |
|---|---|---|---|---|
| Total corn harvest (millions of metric tons) | 3.7 | 16.7 | 12.0 | 24.0 |
| Yield (quintals per hectare) | 10.6 | 20.6 | 13.8 | 18.2 |

However, these official averages conceal vast regional variations. Thus in some areas in which corn was sown by order, yields were exceedingly low; these include the Volga area and the Urals, where average yields for the period 1957–59 were respectively 5.1 and 4.5 quintals per hectare. This represents utter failure.

Nonetheless, as in the case of the virgin lands campaign, the underlying idea behind Khrushchev's corn plan was sound, and the substantial increase in silage supplies (from 32 million tons in 1953 to 186 million tons in 1960, largely due to corn) certainly helped in raising milk yields and providing a better diet for an expanded livestock population. The trouble, as in the case of the virgin lands campaign, has been the campaigning methods themselves, which caused rapid expansion under conditions which were often unsuitable. (Khrushchev has repeatedly claimed that corn can grow even as far north as Archangel.) Orders from the center demanded that all corn be sown in square clusters, although, as several local agronomists sought vainly to point out, it is often more convenient to show in rows.

Khrushchev has also set unrealistic goals. Thus whole provinces in the Ukraine were expected to achieve a yield of 50 quintals of corn per hectare in 1961, whereas American yields, with more suitable soils and warmer climate, averaged around 32 quintals. Even though the 1961 harvest in the Ukraine was an alltime record, with excellent weather conditions, no province came within 15 quintals of this target. Instead of learning his lesson, Khrushchev has repeated his demand for 50 quintals per hectare in 1962. One is left wondering which would do more harm: failure (with or without simulation of success), or success bought at the cost of neglecting all other farming needs of the Ukraine; presumably the former. It is this chronic tendency to overdo a good idea, to impose it by decree, which ruins its application and does so much harm to Soviet agriculture. More will be said below about the causes of such practices.

Meanwhile we must turn to consider the latest of Khrushchev's campaigns—to plow up meadows and reduce the area of sown grasses. Its motive, like that of the corn campaign, was the need for fodder, more in quantity and more diversified in type. This called for a further intensification of agriculture, which, as Khrushchev rightly saw, was inconsistent with the previously fashionable travopolye (rotational grass) crop system, associated with the name of Vilyams (Williams) and imposed under Stalin on all parts of the Soviet Union regardless of local conditions. While grass could be a valuable source of fodder in the Baltic States or the northwest, in central and south Russia it grows poorly and provides little hay. Consequently there was much to criticize in these cropping practices. Khrushchev attacked the indiscriminate enforcement of travopolye in 1954, but agronomists had been trained in this way of thinking, officials were used to it, and those experts who had opposed it in Stalin's day had been punished or demoted. Consequently, little change actually occurred.

[1] These figures are taken from the remarkable speech by the premier of Kazakhstan, Sharipov, in Kazakhstanskaya Pravda, Dec. 24, 1961.

[2] Perhaps this is why potatoes, which compete for scarce fertilizer with the more fashionable corn, have been doing badly of late.

Khrushchev launched an all-out assault on travopolye in 1961—in speeches in many parts of the country and at the 22d party congress. He pointed to the vast areas of sown grasses, of meadows, of low-yield crops such as oats. He ridiculed those provinces, including Leningrad and Moscow, where 50 percent or more of all arable land consisted of grasses and fallow. He demanded that such crops as corn, peas, beans, and sugarbeets be sown instead, in virtually all parts of the country. Only by intensification of agriculture of this kind, he asserted, would it be possible to produce sufficient fodder. Agricultural experts or officials who did not see this would have to be reeducated or removed. Crop rotation, too, must be drastically altered forthwith.

Again, as in the case of the virgin-lands and corn campaigns, Khrushchev appears right in general principle, but the method of enforcing his ideas almost insures that very serious errors will be made in some parts of the country. The new system will not be understood. New crops will be grown by order in areas where soil conditions or labor shortage or the lack of necessary machinery or fertilizer will make it impossible to apply the directive effectively. For example, in parts of the Baltic States or in the Leningrad province it may well be rational to grow grass, because, although it would certainly be possible to produce more fodder per hectare by planting, say, beans, it would not be worth the extra labor involved. Incredibly enough, Khrushchev hardly mentioned that additional inputs would be necessary; all he declared himself concerned about was the amount of fodder produced. Of course, Khrushchev was careful to warn against excesses; grass was not to be universally banished, fallow might be necessary here and there, and so on. But the general sense of his instructions was such that they are bound to be followed by orders to plow up *grass,* to ban fallow and sow beans, corn, etc., regardless or circumstances. Thus the Premier of Latvia mentioned that some of his colleagues in the Baltic States were already treating clover as a "forbidden crop."[3] Khrushchev must know all this. Yet presumably he can see no other way of breaking up existing irrational farm practices, since his only available weapon is the party machine, and this is the sort of way it works. In his impatience with low yields and general inefficiency, these crude administrative methods must appear to him as irreplaceable.

One cannot envisage a rapid advance of Soviet agriculture by such methods—the more so as the agricultural machinery industry has been undergoing a painful period of readjustment. Production of some vital items has fallen drastically. Khrushchev himself cited with dismay the fact that output of corn silage combines, urgently needed as a result of the expansion of the corn acreage, actually fell from 55,000 in 1957 to 13,000 in 1960.[4] Other sources confirm that the new system of industrial planning has caused much confusion in farm machinery factories.[5] The chronic shortage of spare parts continues, and decrees about expanding their output and making them available to farms on free purchase (as distinct from administrative allocation) have remained on paper.[6] Finally, fertilizer production and output of other important agriculture chemicals (sprays, weed killers, etc.) are far behind schedule. Khrushchev contrasted the 7-year-plan target for mineral fertilizer—an increase from 12 to 35 million tons—with the achievement of an increase of a mere 2.9 million tons in 3 years. New capacity is being delayed, and the completion for the 3 years is only 44 percent fulfilled.[7] No wonder the Ukrainian party leader, Podgornyi, complained that fertilizer supplies were inadequate: "For instance, deliveries to the Ukraine of fertilizer for sugar beet growing, per unit of land, has actually diminished in the past few years." He also deplored serious difficulties in supplies of timber, vehicles, tires, and metal.[8] These are products of obvious importance to agriculture. The adoption of even the best techniques cannot bring results if the required machines are not available, or if they break down and cannot be repaired, or if, as in some areas, farms do not even have carts or trailers to move into the fields the fertilizer which they do have available.

One purpose of the party's recent declarations may be to restore a high priority to the industrial sectors which serve agriculture, and surely some improvements are both possible and likely. However, these shortages, which hamper agriculture even with existing cropping arrangements, must greatly hinder the application of the antitravopolye policies, which call for much increased utilization of both machinery and fertilizer. If this call cannot be met, the result is likely to be a large additional expenditure of peasant labor without sufficient return.[9] It should be added that, as a consequence of the ploughing up of grasses, private livestock may be deprived of pasturage, to the further detriment of production and peasant morale. (When the corn campaign was launched, the peasants were promised part of the corn for their animals; but no such promises are being made at present.)

### III. THE PEASANTS

By the end of 1957, many collectivized peasants must have felt considerable grounds for satisfaction. Cash distributions from the farms had risen almost fourfold in 5 years. They were about to be freed from all delivery obligations to the state from their private holdings, and their private livestock was expanding at a fairly impressive rate. It is true that work discipline was being tightened. But clearly things were improving.

In the past 4 years, the peasants have been in a much less satisfactory situation. Space precludes anything like a full analysis of the many factors involved. The following is a summary of unfavorable developments:

1. Attempts, sometimes encouraged by the authorities, to pay collective farmers a guaranteed minimum "wage," instead of in "workday units" of uncertain value, have broken down in many areas,[10] because there is still no financial basis for any regular payment for work done, except on the richer farms. For 7 years the press has been publishing articles and letters insisting on the necessity of earmarking a fixed share of farm revenue to pay the peasant members. Yet nothing effective has been done.

2. The 1958 reforms had the unintended consequence of increasing disparities in income between rich and poor farms. This was because, until that year, the more fertile areas were charged a kind of disguised differential rent by having to pay more for work done by the M.T.S. and by being compelled to deliver a bigger quota of produce at low prices. The abolition of the M.T.S. and the unification of delivery prices eliminated these methods. It is true that the unified delivery prices are lower in fertile areas, but the difference is quite small.

3. Peasant income from collective farms appears to have declined since 1957. The evidence for this lies, first, in the fact that there has been statistical silence since 1957, which usually indicates that the figures look bad. Second, two Soviet scholars have used regional and/or sample data to show a fall in distributions to peasants since that date; one of the writers, citing a 15 percent reduction between 1957 and 1960 in the province of Rostov, lists a number of other areas in which "the situation is broadly similar."[11] This happened despite a rise in gross revenues, and appears to have been due to pressure to spend large sums on investment, to exorbitant charges for repairs in state-run workshops, and the need to pay black-market prices to obtain desperately scarce tires, building materials and spare parts.[12]

4. Restrictions have been imposed on private activities of peasants, and the number of privately owned cows has declined sharply since the end of 1957. In consequence, and also because of a decline in free-market sales, peasant incomes in cash and produce from their private plots have fallen, too. Thus there is evidence of a significant decline in peasant living standards, which must affect incentives.

Several measures have been taken to ease the financial burdens of the collective farms: prices of some items which farms must purchase were reduced in 1961, credit terms were eased, and payments for produce were made in advance. Also, nearly 2 million collective-farm peasants have been converted to state-farm status since 1957, making them regular wage earners (though the wages are low). However, possibly because of financial stringency, the Government has done little indeed to improve peasant incomes, and must have caused much irritation by its measures against private livestock.

Perhaps the renewed restrictions on private activities of peasants are designed to persuade them to work harder for the collectives. Certainly, it could be shown that millions of man-hours are dissipated on private landholdings and millions more on taking produce to market. The Soviet leaders could well argue that these are not efficient ways of using labor. Yet, in existing circumstances, the private plot and the free market are indispensable, both for the peasants and for urban consumers of foodstuffs. In the first place, the private holdings, though primitively cultivated, are often much more productive, per unit of land, than collective or state farms, due partly to hard work and partly to the concentration of manure on a small area. To take a particularly striking example, in 1959 a hectare of potatoes on private holdings yielded 11.6 tons, as against 6.6 on state and collective farms.[13] Second, particularly in small towns and in rural districts, the state distribution network is utterly incapable of coping with food supplies, except for a narrow range of staple items. In this situation a cut in the number of private cows may create serious shortages.

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[3] Y. Peive, Ekonomicheskaya gazeta, Mar. 5, 1962, p. 5.

[4] Pravda, Mar. 6, 1962. Khrushchev there cites other examples.

[5] See in particular the article by the director of the Tula farm machinery factory, Ekonomicheskaya gazeta, Jan. 15, 1962, p. 8.

[6] A 1961 decree provides for severe punishment for allowing farm machinery to deteriorate, but often enough the cause of the trouble is lack of spare parts, or of materials with which to build shelter and storage space.

[7] Pravda, Mar. 8, 1962.

[8] Pravda, Mar. 7, 1962.

[9] The burdens on the labor force which present policies impose were stressed at the Central Committee plenum by P. Abrosimov (Pravda, Mar. 8, 1962).

[10] See evidence in A. Kraeva, Voprosy ekonomiki, No. 8/1961, p. 74.

[11] Ibid., p. 77, and E. Kapustin, Ekonomicheskaya gazeta, Apr. 9, 1962, p. 8.

[12] E.g., see articles in Ekonomicheskaya gazeta by M. Semko and A. Severov, respectively, Mar. 5 and Mar. 19, 1962.

[13] Calculated from detailed figures given in the statistical compendium, Selskoe khozyaistvo S.S.S.R. (Moscow, 1960).

Why, since milk production on state and collective farms has fully offset the decline in private output, does this situation occur? Some would point to exaggerations in the reporting of milk production, asserting that output has in fact fallen. This may well be so. But there is another and simpler reason. To distribute milk in a "modern" manner is a complex affair. It requires storage, refrigeration, specialized transport, bottles or cartons, and so on. All these are lacking, outside of a few big cities. In these circumstances, even if milk does exist on some farm 30 miles away, it is impracticable to distribute it, and so the local woman and her one private cow are irreplaceable. In villages, except in a very few showplaces, the private plot is almost the sole source of milk and vegetables for peasant families. Given the present structure of Soviet farming and food distribution, measures against the private sector must have unfortunate results, and the quickest way of insuring an increase in production of many much-needed items is to permit some enlargement of private farming activities. It is extraordinary that Khrushchev, who so strongly criticized the measures taken under Stalin against private plots, should be adopting his present policies—or permitting them, since it is not impossible for the party machine in the villages to take some initiative in these matters. Surely he must know better than anyone that such interference damages not only the supply of food from the private sector but also the morale of the peasants and their work for the collective and state farms. Yet only recently it was proposed that private plots on state farms be done away with and that communal vegetable-growing be substituted.[14] One can imagine the unpopularity of such imposed measures. Here ideology and administrative habit seem to stand directly in the way of increasing production.

IV. ADMINISTRATION AND PLANNING

The Soviet leaders must surely be fully aware that agriculture does not take kindly to centralized planning, that local initiative is vital. Yet ever since collectivization they have interfered with farming operations. This is to some extent explained by the fact that collectivization itself was imposed by the party, and it has required constant vigilance to maintain collective farms and to protect them from their peasant members. Party watchdogs must also supervise the party-nominated "elected" chairmen who were often peasants themselves and therefore liable to give priority to the farm's needs rather than the state's. Low prices, which helped to finance industrialization but offered no financial incentive, made it necessary that the coercive apparatus of party and state be mobilized annually to enforce deliveries to the state. For many years the principal task of the local party officials in rural areas, and of the political officers within the M.T.S., was to squeeze out produce for the state from reluctant and potentially backsliding peasants, who had to be restrained from spending their time on their private holdings. Farms could not be allowed to pursue the principle of maximizing revenues, since the price system was (and still is) geared to other objectives. The existence of a free market exercised a particularly distracting influence. Thus collective farms have been accused of marketing vegetables in distant cities at high prices, or growing sunflowers instead of sugarbeets because they could sell sunflower seed in the free market at a profit,[15] or even—in the case of a state farm in 1961—growing grass instead of grain because, as a surprisingly honest director told Khrushchev to his face, grass does not need to be delivered to the state and grain does.

Consequently, the habit developed of controlling agriculture from above, and of so organizing farms and planning as to facilitate this control. To some extent the amalgamation of collective farms, which has more than quadrupled their average size since 1950 (and which is still going on), is explained by the greater convenience in exerting control from above, rather than the convenience of management. From the latter standpoint, most state and collective farms are much too big. This tendency to very large size is also explained in part by the traditional Marxist belief that there are substantial economies of scale in agriculture.

When, in 1953, the appalling state of Soviet farming called for drastic remedial measures, Khrushchev showed himself very conscious of the harm done by inefficient central planning. The Soviet press printed a long series of articles criticizing the stupidity of inflexible production plans passed down the administrative hierarchy to farms for which they were quite unsuitable. Khrushchev and others declared that this must cease. In 1955, a decree was adopted freeing the collective farms from having production plans determined for them; they were to be given delivery quotas, and were to be free to decide their crop and livestock plans, so long as these were consistent with the quotas. It was repeatedly asserted that farm management and agronomists should be free to decide their own methods in the light of the very varied circumstances which always exist in agriculture.

In practice, since prices of neither output nor input reflected either needs or scarcities, direction from above had to continue. The period 1955–61 was one of experiment and frequent change in administrative arrangements. The Ministry of Agriculture was gradually shorn of its powers, part of which were transferred to Gosplan (the central planning agency) and part to a new body responsible for supply and utilization of farm machinery and fertilizer (Sel'khoztekhnika). A number of changes in purchasing arrangements culminated in the setting up, in 1961, of a procurements committee with local organs in close touch with farms, whose production programs they were supposed to influence. But production planning was also supposed to be the responsibility of the provincial agricultural department, while state farms came under a provincial trust which took its orders from organs of the individual republics.

The result was confusion. Everyone was to some extent responsible, therefore no one was. In practice, the local party organs at provincial (oblast) and district (rayon) levels exercised the most effective control over collective farms (and to a lesser extent over state farms). They issued orders on a variety of topics, they could and did dismiss the elected chairmen of farms and recommend others. But the responsibilities of the local parties, and the pressures to which they were subjected, gave rise to an administrative disease which is worth analyzing more closely.

A rural party secretary has always spent the bulk of his time dealing with agricultural problems. His promotion, or dismissal, depends on his success in coping with them. But how is his success or failure to be determined? The answer in practice has been: by his ability to report the fulfillment of plans to his superiors, if possible ahead of time. These plans tend to be very ambitious, and Khrushchev has systematically encouraged party secretaries to compete with one another by offering to overfulfill them. The plans in question are of many different kinds: they might concern grain procurement, meat deliveries, milk production, the completion of sowing by a certain date, the quadrupling of the corn acreage, the use of some fashionable method of harvesting, and so on. Almost invariably, the plans are either impossible of fulfillment, or (and this is the cause of much trouble) can be fulfilled only if other agricultural activities, which may be important but not at the moment the subject of a campaign, are neglected. Party secretaries are therefore repeatedly placed in an impossible situation. They are, of course, told to administer their areas efficiently, to take into account all the multifarious needs of agriculture. But they simply cannot do this while they are being cajoled to fulfill plans which, in the circumstances, are inconsistent with a healthy agriculture.

By long training, party officials have tended to adapt their behavior to the need to report success in the current campaign. Therefore cases like these recur repeatedly (all the examples are genuine and could be multiplied): seed grain is delivered to the state to fulfill delivery plans, and later other grain, unsorted and unsuitable, has to be returned for seed; farms are ordered to sow before the ground is fit for it, and/or to harvest by a fashionable but, in the given circumstances, unsuitable method; meat quotas are met at the cost of slaughtering livestock needed in the following year; to fulfill the procurement plan the local party boss orders the state elevators to receive what Khrushchev (in his speech at Novosibrisk) described as "mud, ice, snow and unthreshed stalks," which damaged the elevator's equipment. Party officials have repeatedly broken up established crop rotations to compel the adoption of whatever was the subject of the current campaign; if they understood the long-term damage which this might do to the soil, they would, in any case, probably be in charge of some other area by then. Other party secretaries inspired or condoned large-scale falsification of plan fulfillment, by such methods as instructing farms to buy butter in retail stores for delivery as their own produce (note that the cost of this operation falls on the peasants), or more simply by writing in nonexistent figures (pripiski). They did not do these things because they enjoyed cheating or damaging the farms of their area, but as a response to pressures to achieve the impossible.

It is interesting to speculate why agricultural plans are so much less realistic than industrial ones. The uncertainties of the weather constitute one reason, but another is surely the habit of campaigning, which is of such long standing, has done so much damage to sound farming and which still continues. A campaign must have clearly defined objectives, priorities and dates on which achievements are to be measured; it must involve strain, and effort to achieve success, and must lead, therefore, to neglect of other considerations. But in agriculture this does great harm.

Given these administrative habits, it followed logically that the planning autonomy granted to collective farms in 1955 could never be a reality. It is also easy to understand why all decentralization measures were doomed to failure. Devolution of authority in the existing setting meant in practice devolution to party secretaries, who alone were in a position to enforce decisions, and this led to the systematic neglect of anything for which there was no pressure from the center. In a genuine effort to encourge local initiative, Khrushchev announced in 1958 that only grain-surplus regions were to be given grain delivery quotas. The idea was to encourage other regions to meet their own needs from their own resources, and in particular to concentrate on fodder grains for their livestock. What happened was that both grain acreage and production fell sharply in the areas freed from delivery quotas. In returning to

[14] V. Grishin, the "trade union" chief, Pravda, Mar. 10, 1962.

[15] I. Bodyul, Ekonomicheskaya gazeta, Mar. 5, 1962, p. 6. Many similar examples could be cited.

centralized procurement planning in 1961, Khrushchev himself explained the reason: party secretaries, finding themselves no longer under pressure to deliver grain, instructed "their" farms to pursue other objectives in which the center seemed more interested; consequently, the fodder shortage was accentuated.

It is in the light of all this that one must assess Khrushchev's latest administrative reforms. There were two possible ways out: either to grant much more autonomy to farm management, or on the contrary, to attempt to organize a more streamlined and flexible machine of central control. He chose the latter. Given his own background and the traditions of the party, he could hardly have done otherwise.

A completely new hierarchical pyramid of control has been created in 1962. A new All-Union Committee on Agriculture is to be headed by a deputy premier, and is to include the head of the agricultural department of the central committee of the party, and the heads of other relevant organizations, which retain their identity within, or alongside, the new structure: the Procurements Committee, Setl'khoztekhnika, the Ministry of Agriculture (reduced to purely research and advisory functions), plus representatives of the planning agencies. This new committee will apparently not be a policy-making body (Khrushchev would have headed it if it were); it is merely to insure that party and state directives for agriculture are carried out. But below the all-union level the situation is different in one all-important respect: the heads of the agricultural committees in republics and provinces are to be the first secretaries of the republican and provincial parties. At provincial level and below, the tasks of procurement as well as production planning, for collective farms and state farms, will be unified under the new committee within a provincial agricultural department. The *basic unit of* agricultural planning, operating on the instructions of the provincial committee, will now be a new "territorial state and collective farm administration," which, as a rule, will group together several districts (rayony). In each of these territorial administrations there will be a "party organizer" deputed by the republican or provisional party organization.

This new hierarchy is to have authority to plan production, to issue directives as to methods, crop rotations, procurements, and in general to be in charge of both state farms and collective farm operations. "Inspector-organizers" employed by the territorial administrations will work within the farms and "will decide on the spot questions of production and procurement." The large number of workshops and other minor enterprises carried on jointly by two or more collective farms will be placed directly under the territorial administrations. An end is finally made of the doctrine, so often disregarded in practice, that collective farms are autonomous cooperatives governed by their members.

The reorganization marks a drastic alteration in, and a tightening of, the entire system of administration. Within it, the role of territorial party officials has undergone an important change. Hitherto, however frequently these officials interfered with plans and operations, they were not directly in charge of them. Their job was supposed to be to insure that the relevant state organs did their job, to act as political commissars and not as army commanders, so to speak. It is true that they did in fact frequently issue commands, but—and this point was made several times—they could and often did dodge responsibility by putting the blame on one or more of the state officials whose formal duty it was to plan this or that aspect of agriculture. Now, the most senior party secretaries at the Republic and provincial level have been put in direct command over farming in their areas, have been given full powers to issue orders to insure that the agricultural plans are fulfilled. The state organs at their level, and beneath them, are at their command. The most powerful man in the new basic territorial controlling organs will be the "party organizer" whom they will appoint, and even the nominal chiefs of these organs will clearly be party officials for the most part, certainly not professional agricultural managers; both Khrushchev and Voronov warned against appointing farm managers to these posts.[16] One category of party official loses—the district (rayon) secretaries—and protests from them were mentioned by Khrushchev. (They will sit on a council which will be attached to the territorial administrations, but so will farm managers and other lesser lights.) Apparently their behavior vis-a-vis the farms is regarded as having contributed to past distortion, which is true enough. Khrushchev appears to believe that the past failures of party control were due to the fact that it was unsystematic, spasmodic, with many overlaps with various state organs which in turn confused one another and, as he put it, left the farms "undirected." Presumably he imagines that, if a party secretary knows he is personally responsible for all agriculture in "his" province, he will no longer concentrate only on the immediately current campaign, and the many defects of party activities in rural areas will thereby be corrected.

But will they? If our analysis is correct, then the essential weakness arises not from irregularity of their interference but from the overambitious nature of the plans which, willy-nilly, they have to force down the throats of their subordinates, and from the contradiction between these plans and the self-interest of farms and peasants. Party officials will surely continue to try to please their superiors and to organize matters so as to be able to report what these superiors wish to hear. While it is true that a more logical administrative structure has been achieved, it lessens the effective powers of farm managements and farm agronomists. It is on the farms that crops are grown, and it cannot be right to diminish the range of choice open to those who can actually see the crops growing, who bear formal responsibility for farm operations and, in the case of collective farms, for the incomes of the labor force.

### V. CONCLUSION

Soviet agriculture is indeed marking time. The liberal post-Stalin policies did produce quick results, but since 1958 the growth rate has been negligible, for a number of interconnected reasons which I have endeavored to analyze here. It clearly does not follow that growth cannot be resumed. If more investment funds can be made available for the fertilizer and farm machinery industries, for instance, then the very low crop yields in the naturally unfertile lands of the center, north, and west of European Russia can be increased. Success in agriculture tends to reinforce itself (higher yields of fodder grains, more livestock, more manure, higher yields, higher productivity, increased incomes, more incentives, therefore still higher productivity, etc., etc.). None of this is impossible, despite the adverse natural conditions under which Soviet agriculture operates. The trouble is that policies toward the peasant and the organizational arrangements of the regime seem inconsistent with the great advance in food production which Khrushchev desires with evident sincerity. And paradoxically, his impatient urgings, and their organizational and campaigning consequences, are among the principal obstacles to soundly based progress. Although we should expect to see some increases in production, there can be no question of fulfilling—or anything like it—the plans for 1965 and 1970, to which so much publicity has been given in the Soviet Union.

Finally, it is only right and fair to emphasize that there is no easy solution to the problems with which the Soviet leadership is wrestling. It is easy to criticize the price system, but it ill behooves us to lecture Khrushchev about the virtues of a free price mechanism when not a single major Western country permits it to operate in the agricultural sector. Difficulties arise in insuring even modest efficiency in traditional peasant farming in many non-Communist countries, and agricultural plans have a regrettable habit of going awry in places well to the west of the Soviet border. Thus at the moment of writing there is an acute potato shortage in England, due largely to the fact that the Potato Board restricted plantings in the incorrect expectation of favorable growing weather; if there were a 1962 sheep plan in Scotland it would be a failure, since so many sheep have been killed by the severe winter. It is also not to be forgotten that, seen historically, Soviet agriculture has served as a means of financing and sustaining industrialization and has suffered in consequence. This is a disadvantage unknown to farmers in developed Western countries.

Yet it remains true that the huge farms of the Soviet Union have been inefficient in the use of resources and have shown a deplorable lack of flexibility and a failure to mobilize necessary human ingenuity. It is also significant that the only country in the Communist bloc which fulfills its agricultural plans is Poland, where most farms are privately owned and privately run. One reason for this is that Polish plans are reasonable: had Gomulka been so foolish as to promise to treble meat production in 5 years, he too would have failed. Polish farming has its own weaknesses, and it is surely impossible on practical as well as ideological grounds to apply the Polish model to the Soviet Union. Yet, Polish experience underlines a fact too often overlooked: that with all the familiar inadequacies of small peasant agriculture, it possesses advantages which Marxist theory has failed to recognize and Soviet practice has yet to find a way of emulating. Khrushchev is making an all-out effort to seek efficiency within the basic institutional and political framework of the Soviet system, and has mobilized the Communist Party machine for this purpose. The next few years will show whether a breakthrough can be achieved under these conditions. Much depends on the outcome—perhaps Khrushchev's political standing, probably also the influence of the Soviet Union on other peasant countries, within and outside the Communist bloc.

[16] Voronov in Pravda, Mar. 28, 1962. The big role played by Voronov in carrying out this reform is surely a significant pointer to his rapidly increasing position of power in the U.S.S.R.

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## IS THIS TIME FOR DELIBERATE FEDERAL DEFICITS?

Mr. PROXMIRE. Madam President, President Kennedy has called for an economic debate, and I think very wisely so.

James Reston, in commenting on this matter very recently in the New York Times, had this to say:

President Kennedy has called for a "sober, dispassionate and careful discussion" of national economic policy, but it is not taking place.

Instead, since his Yale speech, much of the discussion has been passionate, partisan and

ideological, which is precisely the opposite of what he intended.

I would agree with Mr. Reston that much of the debate has been partisan and extreme; while I disagree with some of the basic conclusions the President has offered, I think, as he says, this is the time for us to consider the economic policies that the U.S. Government should take, and that, indeed, the whole free world should take.

Indeed, on June 21, the New York Times reported from Paris that a top-level meeting behind closed doors was held of the Economic Policy Committee of the Organization for Economic Cooperation and Development, which, of course, was attended by our representative, Dr. Walter W. Heller, head of the economic advisers.

The article stated:

Some European comments although not all presumably leaned toward the idea of using tax cuts and other budgetary means to stimulate the home economy while raising interest rates to help check the outflow of dollars.

However, few European officials have any great assurance that this is the "right prescription." What the high-level debate today and yesterday disclosed above all is that the world is faced with a new kind of problem and the leading doctors are not at all sure what to do about it.

This is why the President's call for debate, it seems to me, is so significant and so correct. I think we should consider, and we should use our best efforts to consider, proposals made by leading economists and experts in this area.

Madam President, I ask unanimous consent that the article by Mr. Reston be printed in the RECORD, and also that the report by Mr. Dale, published in the New York Times, be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

THE BIG ECONOMIC DEBATE THAT NEVER CAME OFF

(By James Reston)

WASHINGTON, June 21.—President Kennedy has called for a "sober, dispassionate and careful discussion" of national economic policy, but it is not taking place.

Instead, since his Yale speech, much of the discussion has been passionate, partisan and ideological, which is precisely the opposite of what he intended.

Part of the reason for this is that, while the President called for a separation of economic myth from reality, and of false problems from real problems, he prejudged the issue by implying in the same speech that he was the realist and his opponents the mythmakers.

This produced the inevitable reaction: his opponents immediately asserted that they were grounding their arguments in reality whereas the President was merely dredging up all the old liberal myths of the thirties and tacking on the biggest myth of all, that maybe deficits were good for us.

CONGRESSIONAL DOGFIGHTS

Probably the main reason why we are choosing up sides rather than discussing problems on their merits, however, is that the country is poorly organized for dispassionate debate.

It is a great place for a dogfight or an argument, or a series of anecdotes about Roger Blough, or Arthur Schlesinger, Jr., (who is supposed to be dragging President Kennedy into domestic socialism, but who really has almost nothing to do with national economic policy), but it is not geared for patient analysis of complicated issues which do not conform to the usual political and economic baloney.

The Congress, for example, does not debate economic policy in its widest terms. It merely argues politically on small segments of economic policy, depending on the bill of the moment. Under the parliamentary system of government, Kennedy's speech would not have been made at a university commencement, but at the opening of a 3- or 4-day discussion in which Kennedy's five main economic questions would have been carefully dissected and analyzed.

Such a debate illuminates the problems before the Nation. The best brains on both sides of the aisle talk to the central point, and at the end the opposition's questions have to be answered by the leaders of the administration.

This seldom happens in the Congress, though our system is flexible enough to permit a version of such a debate to happen. Instead, the problem is dismembered and envenomed by personal charges of bad faith and ideological bias, and the country never gets a chance to bring the larger questions into focus.

Many Members of Congress are conscious of this problem, and sometimes in the committees of the two Houses a serious and searching debate takes place, but more often than not this does not command the attention of the Nation. And this is the second problem.

President Kennedy's speech at Yale, for example, was printed in full by very few newspapers in the country. They all summarized it, of course, but it came out as a conflict between myths and reality, enlivened by some fun about a Harvard man at Yale.

Accordingly, the call for a debate on economic growth, new competition from abroad, automation and the growing labor market, inflation and deflation, prices and wages has somehow slipped away into a partisan and ideological argument, involving a great many people who haven't yet read what the President said.

AN OBVIOUS LESSON

The lesson of this is obvious enough. The future economy of the country, which affects everybody, is too serious to be left to commencement speeches and disorganized arguments in Congress and truncated newspaper reports and the articulate spokesmen of vested political and commercial interests.

The issues have to be laid out before the whole Nation in a way to command the attention of a much wider audience. The President and the Joint Economic Committee of the Congress can do more than they have to bring this about.

Beyond this, there is still a need for more orderly discussion at the local level. The people of the country are interested. The trouble is that they have difficulty in getting clearly and concisely: (1) A statement of the facts; (2) a definition of the central questions; (3) a summary of the main courses of action proposed, conservative and liberal.

If these things could be brought together in a series of pamphlets and made available to all existing social, service, educational, and religious organizations, there is little doubt that study groups within each organization would soon produce a wider and more positive national debate.

As things now stand, the voter is confused by a babel of partisan arguments, misleading summaries, and mystifying clarifications. What is at issue is the test of whether a democracy can reach a consensus on highly complicated modern economic questions, and the thing will not be done until a more orderly and objective procedure is devised for getting and discussing the facts.

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UNITED STATES SEEKING EUROPE'S ADVICE ON ECONOMY AND DOLLARS DEFICIT

(By Edwin L. Dale, Jr.)

PARIS, June 21.—The United States asked Western Europe today for comments on how to tackle its problem of lagging economic growth combined with a deficit in the balance of international payments.

The United States received sympathy but little in the way of clear-cut prescriptions for a solution. The reason appears to be that virtually no one is certain of the way out of the predicament, which has never arisen before in exactly the same way.

The occasion for today's discussion, which was begun yesterday, was a top-level meeting behind closed doors of the Economic Policy Committee of the Organization for Economic Cooperation and Development. As is customary at these sessions, held three times a year, the U.S. delegation was headed by Dr. Walter W. Heller, the chairman of the President's Council of Economic Advisers.

NATURE OF THE PROBLEM

The problem arises because the domestic measures of budget and monetary policy that are widely accepted as useful for stimulating growth and employment at home are exactly the wrong measures that nations with deficits in their international transactions are supposed to take. That is, stimulus at home through such measures as deliberate budget deficits tends to make the balance of payments worse.

The problem for a cure for the United States is complicated by three additional factors.

One is psychological. Foreigners hold huge amounts of dollars—some $20 billion. Would domestic measures of stimulus tend to destroy their "confidence," even if the international payments deficit became no worse?

The second is that the U.S. payments deficit, unlike the "classic" case, is clearly not owing to overfull employment and excessive demand at home. Instead, it is owing to such things as huge oversea military and foreign-aid commitments and the present state of the world capital markets.

The third is that international transactions make up a far smaller portion of the U.S. economy than is the case for European countries. Thus, the balance of payments is less "sensitive" to the state of the domestic economy. The balance of payments measures this country's spending abroad and other countries' spending here, both government and private.

If Belgium, or even France, had a payments deficit, it could quickly bring a cure by curbing home demand through budget or monetary restraint. But in the U.S. case, outright deflation and unemployment, even if this were domestically acceptable, would have only a marginal effect on exports and imports. And the real causes of the payments deficit would remain.

PROBLEM IS RECOGNIZED

There is universal recognition among Dr. Heller's counterparts of all these elements in the situation. And thus, it is understood, they were not very forthright in proposing ways out of the predicament, which they understand as well as he does.

According to informed sources, however, there was one theme in European comment and questioning that marked something of a departure from previous discussions of the problem. This was a recognition of the importance of solving the U.S. unemployment problem, and even more of averting an early recession, even if the measures of stimulus necessary might theoretically make the balance of payments worse.

On earlier occasions, it is understood, the bulk of the European comment had centered on the urgency of a solution of the balance-of-payments problem. This was understandable because on a solution of that problem rests the future strength and stability of the dollar, and hence of the world monetary system.

Now there is evidently increasing awareness that the United States must tackle the problem of growth and employment, partly on the ground that another recession might make the confidence problem for the dollar worse than ever.

Some European comments, although not all, presumably leaned toward the idea of using tax cuts and other budget means to stimulate the home economy while raising interest rates to help check the outflow of dollars.

However, few European officials have any great assurance that this is the right prescription. What the high-level debate today and yesterday disclosed above all is that the world is faced with a new kind of problem and the leading doctors are not at all sure what to do about it.

Mr. PROXMIRE. Apropos of this debate, the President in his Yale speech said:

Still in the area of fiscal policy, let me say a word about deficits. The myth persists that Federal deficits create inflation, and budget surpluses prevent it.

Yet sizable budget surpluses after the war did not prevent inflation, and persistent deficits for the last several years have not upset our basic price stability.

Obviously, deficits are sometimes dangerous—and so are surpluses. But honest assessment plainly requires a more sophisticated view than the old and automatic cliche that deficits automatically bring inflation.

Madam President, of course the President is correct in saying that there are times when deficits perhaps may be desirable for the economic health of the country. The position which this Senator has been taking is that this is not the time. All the evidence indicates that the United States is in an expansionary phase of the economy. All the evidence suggests that we are moving out of a recession.

I think certainly we should look at the facts and look at the indicators to see whether, on the basis of the present situation, the Federal Government should be running a deficit. The facts, it seems to me, appear overwhelming that if we have a deficit now we should always have a deficit. If the President can say we are not moving out of a recession rapidly enough and therefore we should run a deficit, he could argue the same way if we were moving into a recession or if we were in a recession. If we cannot run a surplus under expansionary conditions, it would seem difficult to do so at any time.

With this in mind, I invite attention to an article published in this morning's Wall Street Journal, which points out that personal income is up, compared to a year ago, by about 10 percent, from $403 billion to $440 billion. That is a large increase.

Consumer spending is up from $330 billion to $352 billion, or about 6 percent.

Corporate profits are up from $20 billion to $26 billion, an increase of 30 percent.

Retail sales are up from $17.8 billion to $19.5 billion, or an increase of approximately 10 percent.

Industrial output is up from 102 percent of the 1957 average to 118 percent of the 1957 average, or 16 percent.

Nonfarm employment is up from 60.9 million to 62.8 million, which is an increase of about 3 or 4 percent. That is a substantial increase in employment, when unemployment has been our most serious and difficult economic problem.

Housing starts are up, compared to last year, from 1,169,000 to 1,587,000, an increase of 35 to 40 percent.

Madam President, I ask unanimous consent that the article from the Wall Street Journal may be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

DESPITE STOCK MARKET PLUNGE, THE ECONOMY HAS MANY BRIGHT SPOTS

(By Alfred D. Malabre, Jr.)

How's business?

Stockholders writhe in a shakeout of highflying stocks. Economists speak of a mild recession next year. Washington worries over a lack of growth.

Against this background a glance at major measures of the economy as things stand at the latest reading shows little evidence of illness.

Personal income is at a record level. So is consumer spending. So is industrial production. So is nonfarm employment.

The economy has kept on growing long after passing the peak of the 1958–60 recovery, reached in May 1960. It has marched briskly forward since the pit of the 1960–61 recession, reached in February 1961.

KEY INDICATORS COMPARED

Some key measurements of the economy appear in the table below. Dollars are in billions. Industrial output is a percentage of the 1957 average. Nonfarm employment is in millions, housing starts in thousands. Consumer spending and corporate profits are for the second quarter of 1960 and the first quarters of 1961 and 1962. Current totals are for May in categories reported monthly. Annual rates are used, except for retail sales, which are monthly. Seasonal adjustments are made.

| | May 1960 | February 1961 | Latest |
|---|---|---|---|
| Personal income | $403.6 | $403.1 | $440.0 |
| Consumer spending | $329.9 | $330.7 | $352.0 |
| Corporate profits | $23.3 | $20.0 | $26.0 |
| Retail sales | $18.5 | $17.8 | $19.5 |
| Industrial output | 109 | 102 | 118 |
| Nonfarm employment | 61.4 | 60.9 | 62.8 |
| Housing starts | 1,333 | 1,169 | 1,587 |

The sharp drops in the stock market recently, of course, cast a pall over the healthy glow of the latest figures. Many of the Nation's 16 million stockowners have seen much of their assets wiped out in recent weeks. They're likely, as a result, to spend less in coming months than they otherwise would. Moreover, other consumers, worried by the stock market, may also decide to cut down spending.

For the time being, however, there's little question that business, generally, looks good. Here's a capsuled review of some key parts of the economic picture:

Inventories: The supply of durable goods held by manufacturers to meet demand is considerably smaller in relation to sales than either a year ago or in February 1961, at the trough of the 1960-61 recession, latest figures indicate.

At last count in April, durable goods inventories of manufacturers amounted to $32.5 billion, or 1.98 times the $16.4 billion April sales of such goods.

A year earlier, by comparison, durable goods inventories totaled 2.14 times monthly sales. And in February 1961, the inventory-to-sales ratio was 2.30.

Retail sales are at a near-record clip. The May total was 1 percent below April but higher than in any other month on record, after adjustment for seasonal factors.

Sales of automobiles and appliances are booming. Shipments to dealers of refrigerators, ranges, freezers, air conditioners, and home laundry equipment were 23 percent higher in May than in the comparable 1961 period. Automobile sales in the first third of June totaled 20,247 cars, up 21 percent from a year before. Auto industry economists talk confidently of full-year car sales around the 6.9 million mark, 17 percent above 1961. A sluggish item: Furniture.

Construction is a bright spot. Housing starts in May, at a 1,587,000 annual rate, were 3 percent higher than in April and 23 percent above May 1961. The latest total is the highest recorded since the debut of the Government's current housing starts series in January 1959.

Contract awards for construction work were 18 percent higher in the first 4 months of this year than in the comparable 1961 period, according to F. W. Dodge Corp., a construction industry statistical service. The April total was 17 percent above a year earlier.

Construction contracts, of course, foreshadow the actual start of building activity. Construction contracts awarded for commercial and industrial buildings are among the so-called leading indicators of business cycles, developed by the National Bureau of Economic Research, a nonprofit business research organization. Such indicators supposedly signal movements of the economy.

Consumer income: On a per person basis, disposable personal income of consumers is on the rise. In the first quarter of this year, it reached a record $2,039 annual rate, up from $2,032 the previous quarter and $1,940 in the like 1961 quarter.

Over the long term, per capita income also has moved ahead, even after allowing for price increases. In terms of 1961 prices, it totaled $2,021 on a yearly basis in the first 1962 quarter, compared with only $1,692 in 1950.

The average weekly pay of factory workers is also increasing. It climbed to a record $97.20 in May, up from $89.31 in February 1961 and $91.37 in May 1960, at the peak of the last business expansion.

Despite many signs of bounce in the Nation's business, there are also factors, besides the stock market, causing concern among economists and businessmen. Here are a few:

Unemployment: Although nonfarm employment is at a record, many months of expansion have failed to cut unemployment sharply. In mid-May, 5.4 percent of the civilian labor force wanted work, but said they couldn't find any. That's well below the 6.8-percent recession rate of February 1961. But it's considerably higher than at comparable periods in previous postwar expansion cycles. The unemployment rate after 15 months of the 1958–60 expansion—a weak upturn—was 5.1 percent.

The current rate, however, is still far below the depressed level from 1931 to 1940 when unemployment never dipped lower than 14.3 percent of the labor force.

New orders for durable goods, considered a key barometer of business weather, have

weakened in recent months. After hitting $16.4 billion in January, after seasonal adjustment, they steadily declined to $15.8 billion in April. Orders in May remained at the April level.

The backlog of durable goods orders at the end of last month was $44.4 billion, $1.1 billion below April and down for the third consecutive month. The end-of-May backlog, however, still was $1.8 million above a year earlier.

Steel: Despite the fact some of its key customers—appliance makers, auto producers, and contractors—are enjoying booms, the steel industry is operating at about half of its full capacity. Many steel executives fear operations will sink below 50 percent of capacity in the weeks ahead. They anticipate a moderate pickup later in the year.

The low production rate in the steel industry may partly reflect inroads by competitors, as well as sluggish demand, some observers say. Several days ago, for example, Aluminum Co. of America announced plans to lift its production to 86 percent of capacity next month. The company's current rate is about 82 percent of capacity. A few days before, Kaiser Aluminum & Chemical Corp. announced plans to increase its output of refined aluminum to 90 percent of capacity from 86 percent.

Corporate profits: In the first quarter, after-tax profits of corporations, though above the recession level of a year before, fell to a $26 billion annual rate, down from a record $26.5 billion in the previous quarter. Corporate profits are among the leading indicators of business activity.

Profit margins of manufacturers, moreover, narrowed to 4.3 percent of sales in the first quarter, down from 4.8 percent in the previous 3 months.

This squeeze on profits, many economists fear, will crimp business spending for plant and equipment in the months ahead. Businessmen spent about $35.7 billion on an annual basis on plant and equipment in the first quarter, according to estimates. That's slightly higher than the level of the previous few years, but under 1957's record $36.96 billion total.

It has been hoped plant and equipment expenditures will provide steam for the economy in the months ahead, if consumer spending starts to lag.

Mr. PROXMIRE. Madam President, I feel very strongly, in connection with the economic debate—whether it is the President of the United States speaking, a U.S. Senator speaking, an economist, or a commentator speaking—that we should discuss the facts. Whereas the President is correct in saying that there are times when it makes sense to run a deficit, there are also times when it makes sense to run a surplus, if we are ever to have a surplus. It seems, on the basis of these objective indicators and on the basis of the other economic indications, that this is a time to run a surplus, or at least a time not to increase the deficit which we are almost certain to have in the coming fiscal year.

On this same subject, a recent editorial in the Washington Post and Times Herald stated, in part:

Fiscal conservatives object to a compensatory fiscal policy on the grounds that it results in deficits which in turn lead to inflation and a weakening of the international balance of payments.

Madam President, I ask unanimous consent that the editorial may be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

COMPENSATORY MEASURES

Among the weapons on which policymakers can rely in dealing with short-term economic problems, compensatory fiscal measures are by far the most effective.

The logic underlying compensatory fiscal policy is that the Federal Government should vary its tax receipts and expenditures in such a way as to offset or compensate for change in the total volume of economic activity. When the national product is growing slowly or declining, the private demand for goods and services can be stimulated by reducing tax revenues and maintaining a high level of Government expenditures. Conversely, when high levels of economic activity generate inflationary pressures, total demand can be reduced by increasing tax revenues and limiting Government outlays. But the very essence of an effective fiscal policy is appropriate timing. Tax cuts, for example, will not induce consumers or businessmen to increase the volume of private expenditures if their confidence is shattered by a prolonged period of sluggish activity or an economic decline. If the Government is to act effectively, which it has never been able to do in the past, economic changes must be anticipated by prompt action. That is why President Kennedy has requested limited authority to vary tax rates.

Fiscal conservatives object to a compensatory fiscal policy on the grounds that it results in deficits which in turn lead to inflation and a weakening of the international balance of payments. But neither of those objections carries very much weight. When the rate of economic expansion is slow, the existence of underutilized industrial capacity and unemployed labor serves to limit any upward pressure on the price level. Since the strength of the country's balance of payments is approximately determined by the willingness of foreign central banks to hold dollars rather than gold, serious efforts to stimulate the rate of economic growth should enhance confidence in the dollar, not weaken it. Moreover, those fiscal conservatives for whom even the smallest budgetary deficit is an anathema should bear in mind that tax revenues rise when economic activity is stimulated. In fact, an effective fiscal policy will produce smaller deficits over the long run than would occur if prolonged slowdowns were permitted to develop.

These considerations have a direct bearing on the current economic situation. The most recently available figures seem to indicate that something has gone wrong with the current economic recovery, which has been rather anemic since its inception early in 1961. In May the increase in personal income was disappointingly small and the volume of retail sales actually declined. Corporate profits for the first 3 months of 1962 were more than $500 million below those for the last quarter of 1961. These signs—while hardly infallible as predictors of the near-term economic future—all point to the very real possibility of an economic slowdown in 1962. This threat has generated an interest in an income tax cut now, rather than in 1963.

In proposing to defer tax reduction until 1963, the administration was guided by considerations which may soon become obsolete. For the past 14 months it has been pressing for what Treasury Secretary Douglas Dillon has characterized as a "fundamental restructuring of the U.S. income tax system." Competent observers of varying political persuasions all agree that a thoroughgoing tax reform is necessary to accelerate the Nation's long-term rate of economic growth. But this program has encountered a determined opposition in the Congress, and the recent proposal to reduce taxes in 1963 appears to have been motivated by an understandable desire to sweeten the bitter potion of fiscal reform.

While this political strategy may not have been without merit at the time it was formulated, it should now be reexamined in the light of the economic signals which have recently appeared. If the economy is in fact moving toward another downturn—or if there are reasonable grounds for believing that it might be—then an immediate consideration of countermeasures should logically take precedence over far-reaching reforms.

While the evidence of the need for an immediate tax reduction is not altogether clear, the sluggishness of the economy, nevertheless, demands that the issue be given very serious consideration. It might well become a part of the President's fiscal dialog with the American people. If the economic indicators of the next few weeks evidence no significant change for the better, it is hoped that the Government will promptly apply the fiscal remedy which is so widely accepted in theory and so often neglected in practice.

Mr. PROXMIRE. Madam President, once again the opposite sides are setting up straw men. The fact is, this is not a question as the Washington Post would have it of being a fiscal conservative. It is not a question of anyone saying we should never run a deficit. It is a question of recognizing what are the facts in existence today.

The facts today indicate that at the present time the U.S. is in an expansionary phase, and we should run a surplus.

There is another point which was raised by the President of the United States in his speech relating to deficits. That is that a deficit is not necessarily inflationary. That was the President's basic argument. He pointed to the postwar period during which there was a series of deficits, which he said were not inflationary.

There has been some inflation, and there has been a rise in the price level. One could point to fiscal year 1959, when there was a very heavy deficit and prices did not increase. However, Madam President, I think we must recognize that while prices did not increase in 1959, the whole economic history of this country indicates that after every war, with the exception of the period after World War II, there has been a fall in prices. The price level has gone down in all previous postwar periods. There has been a correction in the inflation which has taken place during the wars.

The only exception was World War II. There was a correction after the Civil War, and I might even go back into earlier history. There was that correction after the Revolutionary War, after the War of 1812, after the Civil War, and even after the Spanish-American War. There was definitely that correction after World War I, but not after World War II. Why was that? One reason why was that there were stringent price controls in World War II. After those price controls were released there was a period of inflation which of course made up for the lack of inflation during World War II. By 1957 or 1958 the economy had adjusted to that artificial situation which prevailed during World War II, and at that time prices should have come down.

From the standpoint of people who had savings in banks, pensions, and fixed incomes, this would have been very desirable.

One of the reasons why prices did not come down is that there were heavy deficits. There was such a heavy deficit in fiscal year 1962.

I think one could make an argument, based on economic experience, that the post-World War II deficits have been inflationary. The deficit of fiscal year 1959 was inflationary; at least, it helped prevent the normal deflation or the normal price adjustment from taking place.

Madam President, on another point, in a recent column in newspapers carried throughout the country Walter Lippmann, discussing our economy, said in part:

On the part of the American officials there are certain recognizable limits beyond which they cannot prudently carry the expansive measures. They cannot, as in the past, make money cheaper here than it is in the European financial market. Money must, in fact, be somewhat dearer so that there is no incentive to take dollars away from the United States and move them to Europe.

I respect Walter Lippmann, but on this particular score I think Walter Lippmann may be in error. On the Joint Economic Committee we have asked to have studies made to show whether there is this kind of arbitrage, if one wishes to call it that, this kind of shifting of capital to take advantage of higher interest rates abroad. I have asked over and over again to have the Federal Reserve Board come in with this kind of study. They have never done it. There is every suggestion, theoretically and practically, that if the Board followed a policy of increasing short-term interest rates and reducing long-term interest rates this could protect the balance-of-payments position. It could do so because the flight of money is almost always short-term money. It could stimulate the economy by dropping interest rates in the homebuilding area and in the area in which business borrows for a longer period of time.

At any rate, I believe this policy is far more constructive, more conservative, and more in keeping with the financial policy followed by past administrations than the policy of trying to stimulate the economy by running a big deficit, or a bigger deficit.

Madam President, I ask unanimous consent to have the article by Mr. Lippman printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

REFLATION AND THE DOLLAR

(By Walter Lippmann)

There is underway the formation of a policy to stimulate the recovery, which is now sluggish, and to sustain and prolong it against the onset of another recession. Within the administration this specific program of measures, particularly the timing and shape of the tax cut, is still being studied, and the final decision will presumably be made when the figures come in during the next 3 months. But there is general agreement, which has wide public support, that the American economy needs expansive measures to make sure that the present recovery is not aborted.

There is agreement also that in making the program of measures this country is not an island which can ignore Europe and the opinion of European bankers and investors. We have become a deficit country in international payments, and foreigners have on deposit in this country some $24 billion for which they have the right to demand payment in gold. The question which hangs over us is whether, if we reflate our economy by reducing taxes and thus incur a larger deficit in the administrative budget, the Europeans will start a run on our gold reserves by cashing in their dollars.

This is a very serious question, and we would indeed be caught in a dangerous squeeze if it were true that a program to restore full employment to our own economy could be adopted only at the risk of provoking an international panic over the dollar. The answer to the question is that there will be no such squeeze unless the responsible officials and private financiers on both sides of the Atlantic become suddenly imprudent and reckless.

On the part of the American officials there are certain recognizable limits beyond which they cannot prudently carry the expansive measures. They cannot, as in the past, make money cheaper here than it is in the European financial market. Money must, in fact, be somewhat dearer so that there is no incentive to take dollars away from the United States and move them to Europe.

Furthermore, the Americans who are managing the expansive program must watch very carefully so as to arrest it when it begins to suck in too many imports and to cause a rise in American prices. The managers will also have to resist rises in wages and prices, as in the steel industry for example, because these make our exports less competitive and therefore increase the deficit in our balance of international payments.

Above all, the managers must fit the expansive measures to the fact that their task is to overcome a deflation and that this will be achieved when they have reached a modest goal of no more than about 4 percent unemployment. If they act in this conservative way, there will be no inflation, and therefore there will be no rational reason for a run on our gold reserves.

Having said that, it must also be said that the gold problem is not an American problem alone. It is Europe's problem no less. The problem has been created since 1950, that is to say, since the United States adopted the Marshall plan for European recovery and the Truman doctrine for the containment of communism. Since 1950 we have run an average net deficit in our international transactions of nearly $2 billion a year. Over the whole period this has amounted to a deficit of about $24 billion.

In foreign capital investment, in military expenditures abroad, and in foreign aid we have paid out $24 billion more than we have earned. By doing this, we have helped the recovery and the defense of Europe, and we have provided the reserves on which the postwar monetary systems of the free economies rest.

It is obvious that a European run on the dollar, if it became panicky, would shake the monetary system of Europe at least as badly as it would shake our own, perhaps more badly. Moreover, Europeans who are wise in the ways of the world—having lived through years of monetary instability—will realize two things. One is that a nation as powerful financially as is the United States can, if driven to it, defend itself in a great variety of ways. The other is that no strong nation will sacrifice the control of its own economic development to unreasonable pressures from abroad. When the United States undertook the Marshall plan, which has been such a brilliant success, it never agreed to subject itself to the opinions and prejudices of elderly bankers in Zurich and elsewhere.

There is every reason to think that there will be no panic. The machinery already exists to protect the dollar while the American economy is being reinflated. There has recently come into being effective cooperation among the central bankers of the Western World. It is reasonably safe to assume that among these central bankers today there is a preponderant number who were brought up in modern economic teaching, and will understand quite well what it is that is going on here.

Mr. PROXMIRE. Madam President, I conclude by indicating why I feel so very strongly that in this economic debate for which the President has called we should give the most careful and thoughtful attention to the effect of a philosophy which argues that we should almost always have an unbalanced budget.

I submit that the administration is working itself into that position. They may deny it. They may say, "We want it only in periods of depression, or periods when we are moving into a depression." I say on the basis of the facts that it becomes quite clear that we are likely to have a deficit all the time.

I suggest that there are at least four reasons why that is bad. In the first place, if the philosophy ever takes hold in our country that it is desirable to have a deficit at virtually all times then, the principal protection against inefficient spending in Government will be gone. After all, if the dollars to be spent are not scarce, and if there is no reason for economizing in the operation of Government departments, it would seem that there would be no restraint on empire building, on adding more and more people to the Government payroll, and in extending governmental operations without restraint. This has been a very useful and important discipline. It is one that we would lose if we adopt the philosophy that it is desirable virtually always to run a substantial deficit.

In the second place, as I have already indicated and therefore can treat the subject quite briefly, there is no question that in the long run budget deficits are inflationary. It may be that a deficit in any one year is not inflationary, but there is a longrun effect of inflation if only because the Government is spending more than it takes in and because the Government is contributing to effective demand more than it does to supply.

There are times, as I have indicated, in which such action is necessary and desirable. I encourage and support it. But, on the other hand, I think we must recognize that at all times a budget deficit has an inflationary tendency and effect.

I wish to stress that both of these two consequences of a budget deficit are very subtle and difficult to detect. It is always possible for those who take a contrary position to argue that a budgetary deficit has not contributed to inefficiency, has not relaxed the discipline that requires efficiency in Government or tended to push up prices or kept them from falling. Those who take that position can argue their positions, because it is very difficult to show what I have pointed out. It is something that takes place not in an immediate way, but over

a period of time. I do not know how anyone can retreat from the fact that there is a tendency of a budget deficit to have an inflationary impact.

In the third place, there is no question that if we follow a policy of a continuing expanded budget, our national debt is bound to increase and become more burdensome. The President very intelligently and effectively discussed the relationship of our present national debt to our gross national product. He pointed out that the gross national product has increased much more rapidly than our debt. He has noted also that personal debt has increased far more rapidly also, and that State and local debts have increased much more than the Federal debt has increased. But the incontestable fact remains that the national debt has gone up, and it has gone up at a time when it should not have gone up.

After most of our wars in the past the national debt has declined. It certainly did after World War I. After World War II it has increased, and while in proportion it has not increased as much the GNP, it has increased very sharply and substantially.

Furthermore, the fact that State and local debts have increased, and State and local tax burdens have increased, makes it all the more important that we exercise great restraint with our Federal spending, and that we do our level best to balance the Federal budget, because our State and local governments have the very heavy and expensive job of educating our children. We know the number of children in this country has greatly increased. The cost of education has skyrocketed. We also know that our State governments have the principal burden of taking care of people over 65, and that the number of people in that age group has greatly increased.

What has happened is that those who work, earn, and pay taxes, are a smaller proportion of the population now than they have been in the past. That trend is likely to be even truer, at least in the shortrun future, than it has been in the past. Under those circumstances the burden upon State and local governments has become excessive. For that reason it seems to me all the more important that we do our best to curtail and restrain Federal spending and keep the strain which the Federal Government under those circumstances imposes on the taxpayers as limited as possible.

### FOUR-COUNTRY BUDGET STUDY A KEY CONTRIBUTION

Madam President, one of the finest contributions to the debate on the budget has been a study by Andrew H. Gantt II, under the direction of Prof. Otto Eckstein at Harvard University. It is a contribution that I think we all must recognize, regardless of the position we take in the debate. It may be a contribution which many people will argue supports the President's position. It is an attempt to analyze the budgets of the United States, the United Kingdom, France, and Germany. It seeks to compare national budgets and spending, and the effect that budgetary policy in each country has had on the economy. The study, which was released quite recently, is concise. It is written in simple language, and contains applicable, appropriate, and timely statistics. I ask unanimous consent that this very competent study be printed at this point in the RECORD.

There being no objection, the study was ordered to be printed in the RECORD, as follows:

### CENTRAL GOVERNMENTS: CASH DEFICITS AND SURPLUSES

(By Andrew H. Gantt II, Harvard University)

(NOTE.—This study is part of the research program on the economics of public expenditures being conducted at the Graduate School of Public Administration, Harvard University, under the direction of Associate Prof. Otto Eckstein. It is sponsored by the National Committee on Government Finance at Brookings Institution. I am indebted to Sam Cohn of the Bureau of the Budget; Timothy Sweeney, Wolfgang Rieke, Jean van der Mensbrugghe, and Brian Rose of the International Monetary Fund; to Josef Berolzheimer of the Agency for International Development and to other government officials for their help. Mistakes are to be attributed to me, however.)

#### I. PURPOSE

The purpose of this paper is to establish on a comparable basis a first approximation to the central government cash deficit or surplus of four countries, the United Kingdom, France, Germany, and the United States, over a timespan of the last several years.

#### II. DEFINITION

Cash deficit or surplus is the difference between the total receipts (actually received) and total expenditures (actually expended) of the organization under consideration measured in the unit of account of that organization.

How can expenditures and receipts of central governments be bounded and defined? The criterion used here is the origin of authorization for these cash flows. This authorization stems from the body politic of the entire country and is given to its selected representatives. Local and State government expenditures and receipts are thus excluded unless the origin of authorization lies with the country's body politic.

#### III. PROBLEMS OF COMPARABILITY

Why is comparison on the basis defined above necessary? These four countries each publish every year figures which purport to establish a surplus or deficit figure for the central government's operation. The difficulty is that these figures are neither comparable nor all inclusive. Sources of this difficulty will now be examined.

##### *A. Extent of central government responsibility*

The area of responsibility of central government differs in the countries considered. The United Kingdom operates and controls a large number of public corporations including the radio and television industry and the electric power industries. The United States operates few public corporations. In Germany, the government appoints some of the directors in certain private companies and shares both in the profits and losses of these companies. In France, the separation between state and local and central government is not as acute as it is in the three other countries.

Thus, great difficulty is encountered in an attempt to construct an equivalent central government in an accounting sense, if by equivalence is meant an identical degree of participation in the economy by the governments concerned. The numbers presented in this paper, therefore, measure the deficit or surplus of central government as it exists in each country, whether the participation in the total gross national product is above or below the group average. With this framework in mind, solution of the next set of problems is more clearly defined.

##### *B. Are government figures sufficient?*

Three general methods of presentation of central government expenditures commonly occur. These are "the budget," some measure of cash receipts from and payment to the public, and government expenditure and revenue on a national income and product account basis. The three methods give decidedly different answers to the problem. As an example, figures for the United States derived by each of these methods are presented below for several years.

Examination of the budget of the United States shows that the budget of a country cannot be more and is often less than a starting point of analysis. The budget is a mix of methodological and conceptual confusion. In the United States, the budget as initiated by the President is his request for appropriations for the coming fiscal year. Since various retirement and social security funds are not directly under his year-to-year control, they are not included in the budget. In part then, the budget is a reflection of the legal institutionalism of central government. Additionally, political pressure operates to keep the budget as small as possible. The budget is the statement which appears with great emphasis in the public press every year. Congressional enthusiasm for new expenditure proposals is dampened by the sheer size of the budget. The incentive on government is to keep the figures of this annual statement low.

These influences are not restricted to the United States. In Germany, for instance, the Federal budget receives only about 35 percent of the taxes collected from income.[1] In France, the budget excludes the postal and telecommunications systems, national saving fund, the social security for agriculture, and other smaller funds.

Differences in inclusion are not the only source of noncomparability between the budgets of the countries concerned. There are also great differences in accounting methodology. One fountain of confusion exists

[1] "Monthly Report of the Deutsche Bundesbank," vol. 13, No. 10, p. 20.

TABLE I.—*Fiscal operations of the Central Government of the United States; different measurement methods, fiscal years 1957–61*[1]

| Fiscal year | Receipts | | | Expenditures | | | Surplus or deficit | | |
|---|---|---|---|---|---|---|---|---|---|
| | B[2] | C[3] | N[4] | B | C | N | B | C | N |
| 1957 | 70.6 | 82.1 | 80.9 | 69.0 | 80.0 | 76.5 | +1.6 | +2.1 | +4.4 |
| 1958 | 68.6 | 81.9 | 77.8 | 71.4 | 83.4 | 82.8 | −2.8 | −1.5 | −5.0 |
| 1959 | 67.9 | 81.7 | 85.4 | 80.3 | 94.8 | 90.2 | −12.4 | −13.1 | −4.8 |
| 1960 | 77.8 | 95.1 | 94.1 | 76.5 | 94.3 | 91.9 | +1.2 | +.8 | +2.2 |
| 1961 | 77.6 | 97.1 | 94.9 | 81.5 | 99.3 | 96.9 | −3.9 | −2.1 | −2.0 |

[1] Source: "The 1962 Budget Review," Bureau of the Budget, Washington, D.C., 1961. Details may not add to totals because of rounding.
[2] B is my abbreviation for U.S. budget.
[3] C is my abbreviation for the account "Cash receipts from and payments to the public."
[4] N is my abbreviation for Federal activities in the national income accounts.

because of dissimilarity in treatment of capital investments and current expenditures between these countries. In the United States, capital items are treated like current expenditures, and are considered to add to budget deficits and the national debt. In Germany, however, public corporations finance some capital expenditures on the open market which are not included in the deficit; on the other hand, these corporations can also borrow from the central bank and treasury, in which case the expenditures add to the deficit. The situation is similar in France. But in the United Kingdom, the public corporations must finance expenditures through the Treasury, and borrowing adds to the deficit.

A problem which the budget avoids is the separation of state and local financing from central government financing. Division of fiscal responsibility between the local authorities, states, and the central government differ among countries. Perhaps the most intricate maze is weaved by France, since local authorities, departments, and oversea departments use the Treasury as a bank for checking deposits. If one attempts to utilize as part of his computation of central government surplus or deficit the changes in cash balances of the Treasury (instead of using budget figures), the problem of separation of assets belonging to the state and local governments from central government becomes acute.

Many of these problems, and others which will be introduced under the individual country computations, can be dismissed by using the national income accounts. These figures for "general government" (central, state, and local government combined) are presented in the United Nations publication "Yearbook of National Accounts Statistics." Central government figures are not available for West Germany, and for France can be obtained for the years 1957–60 only. Compilation of the unattainable figures is not possible without availability of intricate and detailed figures for the countries concerned. Receipts should be recorded on an accrual basis. Purchases are listed as the goods are delivered and services completed. This causes computational difficulty. In addition, this method of analysis deletes all purchases of previously existing assets, and transfers or exchanges of financial claims, which should be included in an analysis of government fiscal operation.

### IV. COMPUTATION OF THE CASH STATEMENT

Since conventional administrative budgets are not comparable in terms of inclusiveness or accounting methodology, and the national income accounts for central governments are not available for all countries and are computationally infeasible for the others, the consolidated cash statement remains. It is inclusive and reasonably easy to measure. Measurement is on a checks-paid basis, a simple, objective, comparable concept.

Theoretically, there are two methods for derivation of surplus or deficit in the consolidated cash statement.

Method I: Add up all tax and general revenues of central government excluding loans and deduct central government expenditures, including the trust funds, "Les budgets annexes," etc. If one is careful and all government operations are included, this gives the surplus or deficit.

Method II: Look at the Treasury balance sheet of the country concerned. Add (algebraically) the total change in debt and changes in cash balances. Increases in cash balances and decreases in debt outstanding add to the government surplus, and vice versa.

Method I is fairly obvious. Method II is clarified by tables II and III.

TABLE II.—*Deviation of "Net cash borrowing from the public" from the "Change in public debt" of the United States* [1]

| | Millions |
|---|---|
| Increase (−) or decrease in the public debt | −$2,640 |
| Cashing of (−) or investments in U.S. securities (net): | |
| Trust funds | 288 |
| Public enterprise funds | 148 |
| Government sponsored enterprises | 435 |
| Increase (−) or decrease in obligations of government enterprises held by the public (net): | |
| Trust funds | 66 |
| Public enterprise funds | 666 |
| Government sponsored enterprises | −196 |
| Increase (+) or decrease (−) in public debt from noncash adjustments (net) | 536 |
| Net cash borrowing from the public | −697 |

[1] Fiscal year 1961. Both of the above tables were taken from "Federal Government Receipts From and Payments to the Public, Supporting Tables," Executive Office of the President, Bureau of the Budget, October 1961.

TABLE III.—*Deviation of "Cash surplus or deficit" from the operations of the U.S. Treasury*

| | Millions |
|---|---|
| Net cash borrowing from the public: increase (−) | −$697 |
| Increase in cash balances: increase (+) | −1,394 |
| Receipts from exercise of monetary auhority: increase (−) | −55 |
| Excess of payments to over receipts from the public | −2,146 |

The figure derived by method II is at the bottom of table III, called in the United States "Excess of payments to over receipts from the public." It is the deficit for the fiscal year 1961. The inquiring reader will notice that the first item in table III, "Net cash borrowing from the public," is not the same as the first item in table II, "Increase or decrease in the public debt." The reason is that the increase or decrease in Treasury debt (−$2,640 in table II) does not actually reflect the actual change in debt operations with the public of the Central Government. Debt operations of the Treasury with the trust funds, public enterprise funds, and Government-sponsored enterprises must be deleted. In addition, the debt operations of these funds and enterprises which are carried on outside of the Treasury and directly with the public must be taken into account. The net result of these adjustments gives the figure, "Net cash borrowing from the public."

The United States has been used here as an example to elucidate method II. Method II is also used in the computation for Germany. Method I is used for France and the United Kingdom.

### V. SURVEY OF DATA AVAILABLE ELSEWHERE

During the era of the Marshall plan, a concept for "comparable" measurement was developed in the International Cooperation Administration, mainly by Mr. Josef Berolzheimer. This concept (see ICA–10–74, revision 3, 9–61) is both inclusive and consistent, and approaches the problem from the side of governmental revenue and expenditures rather than from the change in debt and cash balances. It is not evident, however, that the submitting countries have complied with the instructions. The United States, for instance, merely submits administrative budget estimates. Thus, the data cannot be used as comparable as we have defined it.

The OECD annually conducts a similar experiment. This data is restricted, but, generally speaking, suffers from the same inconsistencies as the International Cooperation Administration data.

Thirdly, the United Nations has a sectoral breakdown on an income and product account basis, which has been discussed earlier.

### VI. THE UNITED STATES

In the United States, the consolidated cash statement is derived from the administrative budget by adding to it the receipts and expenditures of the trust funds on a gross basis, plus the change involved in shifting from a checks issued to a checks paid basis plus other small adjustments such as seigniorage on silver. To correspond most directly with the other countries involved in this study, the consolidated cash statement is converted in table IV to a calendar year basis.

TABLE IV.—*Consolidated cash statement of the United States, 1950–60 calendar years* [1]

[Billions of dollars]

| Calendar year | Cash receipts | Cash payments | Deficit (−) or surplus (+) | Calendar year | Cash receipts | Cash payments | Deficit (−) or surplus (+) |
|---|---|---|---|---|---|---|---|
| 1950 | 42.4 | 42.0 | 0.5 | 1956 | 80.3 | 74.8 | 5.5 |
| 1951 | 59.3 | 58.0 | 1.2 | 1957 | 84.5 | 83.3 | 1.2 |
| 1952 | 71.3 | 72.0 | −.6 | 1958 | 81.7 | 89.0 | −7.3 |
| 1953 | 70.2 | 77.4 | −7.2 | 1959 | 87.6 | 95.6 | −8.0 |
| 1954 | 68.6 | 69.7 | −1.1 | 1960 | 97.8 | 94.3 | 3.5 |
| 1955 | 71.4 | 72.2 | −.7 | | | | |

[1] Economic Report of the President, Washington, 1961, table C–53, p. 188.
The consolidated cash statement of course does not include any expenditure of State and local government except as subsidized by the Central Government. The extra-budgetary trust funds included are—
(1) Old age and survivors insurance fund.
(2) Disability insurance fund.
(3) Federal employees retirement fund.
(4) Railroad retirement account.
(5) Unemployment trust fund.
(6) Highway trust fund.
(7) Veterans life insurance.
(8) FNMA secondary market operations.
(9) Other (insurance or savings deposits, etc.).

VII. THE UNITED KINGDOM

The United Kingdom maintains a complete cash account set of national-income-derived statistics, printed yearly in the "National Income and Expenditure," a publication of the Central Statistical Office of Great Britain. Supplementary to and explaining this reference is the book, "National Income Statistics, Sources and Methods." The figures below are derived from these publications. In the United Kingdom, accounts are kept in a "current" and "capital" exposition, similar to the standardized system of national accounts as recommended by OECD.[2] If merely the "revenue" ("current") account is considered, the Central Government has been running a surplus continually during the last decade. In addition the "current" or "revenue" account does not give an accurate presentation on a cash basis. For instance, rents are imputed for various Government buildings and military housing units. Considered by itself, this overestimates cash revenues by the amount of the imputed rents. Many of these rents are offset in the "capital" account by items of interest paid to the Treasury by the housing authorities. Thus, to get a reasonably accurate cash statement, the capital account must be considered.

I employ method I for the United Kingdom. Method II would have been just as feasible. Table 37 of "National income and expenditure" is used as a basis of calculation. To the totals of the "revenue" account which are carried into the "capital" account under the heading of "Surplus before providing for depreciation and stock appreciation," are added the items listed in the table following.

TABLE V.—*Computation of central government surplus and deficit for the United Kingdom, 1950–60*

[Millions of pounds]

| | 1950 | 1951 | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RECEIPTS | | | | | | | | | | | |
| 1. Surplus before providing for depreciation and stock appreciation | 685 | 648 | 384 | 254 | 285 | 510 | 422 | 614 | 671 | 611 | 385 |
| 2. Capital transfers from abroad | 275 | 93 | 35 | 27 | 11 | 14 | 14 | 4 | 1 | 2 | 1 |
| 3. Proceeds of iron and steel disposals | | | | 17 | 79 | 59 | 28 | 47 | 3 | 2 | 9 |
| 4. Receipts from certain pension funds (net) | 17 | 21 | 25 | 23 | 23 | 109 | 24 | 33 | 35 | 36 | 44 |
| 5. Miscellaneous receipts and changes in cash balance | 80 | 47 | −102 | 42 | 26 | −60 | 27 | 19 | −11 | 52 | −1 |
| Total receipts | 1,057 | 809 | 342 | 343 | 424 | 632 | 515 | 717 | 699 | 703 | 438 |
| PAYMENTS | | | | | | | | | | | |
| 1. Gross fixed capital formation | 126 | 170 | 214 | 218 | 184 | 192 | 221 | 245 | 245 | 254 | 258 |
| 2. Increase in value of stocks | −95 | 169 | 45 | 20 | −124 | −100 | −24 | −36 | −8 | −10 | −17 |
| 3. Capital transfers abroad | 108 | 15 | | | | | | | | | |
| 4. Increase in deposits with the IMF, IBRD, IFC, and EMP | −42 | 10 | | 57 | 44 | 2 | −191 | 13 | 26 | 159 | 160 |
| 5. Net lending to local authorities | 262 | 572 | 409 | 328 | 260 | 414 | 91 | 63 | −29 | −34 | −35 |
| 6. Net lending to public corporations | 29 | 61 | 73 | 38 | 100 | 142 | 267 | 602 | 573 | 615 | 485 |
| 7. Net lending to building societies | | | | | | | | | | 8 | 37 |
| 8. Net lending to private industry | 4 | 13 | 14 | 17 | −2 | 7 | −1 | 5 | −7 | 3 | 3 |
| 9. Coal compensation | 54 | 54 | 51 | 47 | 36 | 17 | 2 | | | | |
| 10. Acquisition of capital of other undertakings | | | | 246 | | | | | | | |
| Total payments | 446 | 864 | 806 | 971 | 498 | 674 | 365 | 892 | 800 | 995 | 891 |
| Surplus or deficit (−) | 611 | −55 | −464 | −628 | −74 | −42 | 150 | −175 | −101 | −282 | −453 |

One item in table V must be examined further. Under "receipts," No. 5 is "Miscellaneous receipts and changes in cash balance." Since in the analysis of the United Kingdom, we are using revenue and expenditure figures rather than changes in debt and cash balances as the basis of approach, the first reaction would be to exclude this figure. "National Income Statistics, Sources and Methods," however, explains that this contains more items of revenue and expenditure than it does of changes in cash balances and public debt changes. Therefore, it is included in the computation of deficit and surplus although there is an error involved.

VIII. FRANCE

Method I is used for France.

The statistical sources utilized for derivation of the figures below have been taken from various numbers of the "Statistiques et Études Financiéres," published monthly by the Ministére des Finances in Paris. In the calculations for France the governmental table, "La Trésourie et la Dette Publique," has been used with only one correction; the addition of the deficit of the Postes-Télégraphes and Téléphones.

The Ministere des Finances who presents the French accounts is often brief and obscure. Consistency and inclusion of administrative figures on revenue and expenditure are difficult to ascertain. There is no explicit statement of the list of agencies included or excluded, nor is it readily apparent to what degree inclusion or exclusion of each agency has occurred. For instance, one issue of the "Statistiques et Études Financiéres" has this to say.[3]

"Being an exception to the traditional rule of budgetary unity, the annex budgets run the risk of giving an inaccurate picture of the aggregate of public expenditure, either through omission or through addition. To limit oneself to the figures of the general budget would lead to underestimating the aggregate of public expenditure, but to add the amount of all expenditure in the annex budgets will result in an artificial inflation of the public expenditures because of the many cases of double counting in the general and supplementary budgets.

"The receipts of supplementary military budgets and those of the Order of the Liberation are already included in the expenditure of the general budget, as is the major portion of the receipts of the national printing office, the mint, and the Legion of Honor. Thus, it is only the expenditure of the budgets of the P.T.T., the national savings fund, and the agricultural social security which are a net addition to the expenditures showing in the general budget. Even so, a careful analysis of the receipts of the national savings fund would show that the product of savings deposits has to a very great extent already been written in the national budget, or in the budgets of local communities.

"The figures which appear in the joint tables do not therefore have more than a relative significance and must not be used without caution."

"Les budgets annexes," of which the above quote speaks include the following: the postal and telecommunications, radio and television, gunpowder manufactures, arsenals, the mint, the national printing office, the national savings fund, social security for agriculture, the Legion of Honor, the Order of the Liberation and until 1959, the "Caisse Autonome d'Amortissement." The last fund used the earmarked taxes from tobacco and match manufacture to pay for certain war damages.

The trust funds listed above are included in the general budget in a surplus or deficit sense, with the exception of the P.T.T. (postal and telecommunications), the national savings fund, and the social security for agriculture. In the case of the latter two, the impression given is that actual expenditures of these funds which are financed by loans made on the open market are not included in the general budget, but the service charges on the loans made are included. The figures are erroneous to this extent. The regular deficit or surplus of the P.T.T. is also not included.

[2] "A Standardized System of National Accounts," 1958 ed., Paris, 1959.

[3] "Statistiques et Études Financiéres," No. 144 Supplement, December 1960, p. 1889.

TABLE VI.[1]—*Summary of the expenses and resources of the Treasury*

[Billions of new francs]

| | 1951 | | 1952 | | 1953 | | 1954 | | 1955 | | 1956 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Minus | Plus | Minus | Plus | Minus | Plus | Minus | Plus | Minus | Plus | Minus | Plus |
| I. Budgets and investments: | | | | | | | | | | | | |
| A. Preceding year: | | | | | | | | | | | | |
| Expenses | 0.76 | | 1.91 | | 2.52 | | 1.43 | | 1.49 | | 1.89 | |
| Receipts | | 0.30 | | 0.40 | | 0.86 | | 0.39 | | 0.58 | | 0.18 |
| B. Current year: | | | | | | | | | | | | |
| Functioning of the civil service (title I–VI) | 12.52 | | 14.54 | | 15.62 | | 17.00 | | 19.05 | | 21.91 | |
| Military expenses (titles III–V) | 6.96 | | 10.84 | | 11.83 | | 11.18 | | 10.20 | | 12.65 | |
| Civil investment undertaken by the state (subsidies and participation) | 1.09 | | 1.33 | | 1.57 | | 1.99 | | 2.23 | | 2.72 | |
| Loans and advances | | | | | | | 1.02 | | 1.18 | | 1.37 | |
| Repayment of war damages | 3.10 | | 3.44 | | 3.35 | | 2.98 | | 2.88 | | 2.70 | |
| Fiscal receipts | | 20.71 | | 24.17 | | 25.89 | | 26.53 | | 27.65 | | 30.96 |
| Other budgetary receipts | | 2.24 | | 2.34 | | 2.51 | | 3.18 | | 3.36 | | 3.52 |
| American aid | | 1.53 | | 1.86 | | 1.65 | | 1.09 | | 1.06 | | .49 |
| Funds for help | | .21 | | .46 | | .94 | | 1.06 | | 1.12 | | 1.18 |
| Earmarked receipts (title VIII) | | | | | | | .51 | .58 | 1.03 | 1.20 | 1.17 | 1.37 |
| C. Following year: Funds for economic and social developments: | | | | | | | | | | | | |
| (1) Fund expenses | 2.96 | | 3.46 | | 3.54 | | 3.45 | | 3.68 | | 3.85 | |
| (2) Earmarked receipts of the funds | | | | | | | | 1.04 | | 1.23 | | 1.31 |
| Total: | | | | | | | | | | | | |
| (1) Expenses | 27.39 | | 35.52 | | 38.43 | | 39.56 | | 42.23 | | 49.07 | |
| (2) Receipts | | 24.99 | | 29.23 | | 31.85 | | 33.87 | | 36.20 | | 39.01 |
| II. Net change in postal debt [2] | | | | .02 | 1.36 | | 1.87 | | 2.29 | | 1.66 | |
| III. Total deficit or surplus | −2.40 | | −6.27 | | −7.94 | | −7.56 | | −8.32 | | −11.72 | |

| | 1957 | | 1958 | | 1959 [3] | | 1960 [3] | |
|---|---|---|---|---|---|---|---|---|
| | Minus | Plus | Minus | Plus | Minus | Plus | Minus | Plus |
| I. Execution of the law of finances: | | | | | | | | |
| A. Operations of continuing character | 48.77 | 43.47 | 54.30 | 51.86 | 59.74 | 60.44 | 62.99 | 65.58 |
| 1. General budget | 47.47 | 42.06 | 52.83 | 50.30 | 58.43 | 59.11 | 60.10 | 62.32 |
| (a) Budget of the preceding year | 2.69 | 1.25 | 2.97 | 1.13 | 2.62 | 1.14 | 2.43 | .95 |
| (b) Budget of the current year | 43.93 | 40.81 | 48.87 | 49.17 | 54.84 | 57.97 | 56.58 | 61.37 |
| Expenses: | | | | | | | | |
| Civil expenditures (titles I–VI) | 27.85 | | 32.87 | | 37.87 | | 39.87 | |
| Military expenditures (titles III and IV) | 13.03 | | 13.32 | | 14.52 | | 14.70 | |
| Loans and advances [4] | .79 | | .87 | | .33 | | | |
| Repayment of war damages (title VIII) | 2.26 | | 1.81 | | 2.12 | | 2.01 | |
| Receipts: | | | | | | | | |
| Fiscal receipts | | 36.45 | | 43.87 | | 49.68 | | 53.75 |
| Other budgetary receipts [5] | | 3.35 | | 4.10 | | 7.08 | | 6.39 |
| Assistance funds | | 1.01 | | 1.20 | | 1.21 | | 1.23 |
| (c) Budget of the following year | | .85 | | .99 | | .97 | | 1.09 |
| 2. Annex budgets [6] | | | | | | | | |
| 3. Special appropriation funds [7] | 1.30 | 1.41 | 1.47 | 1.56 | 1.31 | 1.33 | 2.89 | 3.26 |
| B. Operations of temporary character | 5.93 | .82 | 5.32 | .86 | 7.55 | .57 | 7.48 | .74 |
| 1. Temporary loans | 4.73 | .82 | 5.32 | .85 | 6.11 | .57 | 7.43 | .74 |
| (a) Loans from the fund for economic and social development | 3.04 | | 2.92 | | 3.97 | | 3.83 | .52 |
| (b) Loans of the housing authority | 1.44 | | 1.75 | | 2.14 | | 2.13 | .11 |
| (c) Consolidation of special construction loans | .16 | | .55 | | | | 1.42 | .07 |
| (d) Consolidation of other loans and advances | .09 | | .10 | | | | .05 | .04 |
| 2. Other special funds | 1.20 | | | .01 | 1.44 | | .05 | |
| Total: | | | | | | | | |
| (1) Expenses [8] | 54.70 | | 59.62 | | 67.29 | | 70.47 | |
| (2) Receipts [8] | | 44.29 | | 52.72 | | 61.01 | | 66.32 |
| II. Net change in postal debt | −1.80 | | −2.46 | | | .80 | | .91 |
| III. Total deficit or surplus | −12.21 | | −9.36 | | −5.48 | | −3.24 | |

[1] Author's footnote: The above table has a 2d section called "Operations of the Treasury," which is essentially an explanation of the financing of the deficits printed above. Part of the financing is derived from changes in the annex budgets, public and semipublic establishments, and other correspondents. These figures could be taken as one of two statements; a statement of changes in cash balances in the checking accounts of these funds with the Treasury, or the net deficit or surplus of these activities. If they are in reality net deficits or surpluses, then they should be added to the figures in the table here presented to give an accurate picture of the inclusive deficit or surplus. But, as a result of the warning given in the quotation on p. 16 of this paper, I have here considered them as changes in cash balances, and assumed that any net surplus or deficit figures have been entered previously as a part of the general budget.

[2] The "net change in postal debt" is under the "plus" side if decreased, and on the "minus" side if it increased. Thus, an increase in postal debt increases the deficit figure, and vice versa.

[3] The figures of this balance for 1959 and 1960 are not exactly comparable to those of the preceding years due to the inclusion of the receipts of the old "Caisse Autonome d'Amortissement," in the budgetary receipts. On the other hand, the new table presentation (as compared to the table for the years 1951–56), even if they modify the distribution of the various categories of receipts and expenditures, leave the balance unchanged.

[4] Loans and advances included until 1959 under title VI–B of the general budget are from now on in the temporary loans, a subtitle under "Operations of temporary character."

[5] Since the law of Dec. 30, 1958, this figure includes the net receipts from the "Caisse Autonome d'Amortissement."

[6] Equipment expenditure of the PTT financed by loans since 1960.

[7] This new heading includes up to 1959, the entirety of the old title VIII and since 1960 part of this title only; another part has been integrated in the "Civil Expenditures" (title I–VI), and in the special accounts called "Special Appropriation Fund."

[8] The total of receipts and expenditures in this table correspond to the receipts and expenditures paid by the public Treasury during a calendar year whether imputable to the current accounting year, or to the preceding, or exceptionally to the following accounting year * * *. Therefore, they are not comparable * * * to the budgetary estimates which apply to accounting definitions as recounted at the bottom of p. 828 of "SEF" No. 140, August 1960.

NOTE.—In the translations of these tables, I wish to express my thanks to Mr. Michael Chirman for his aid.

This detail was not available. As an approximate measure, the change in the debt outstanding of the P.T.T. was added each year to the general deficit or surplus figures. This should give a reasonable measure of the deficit or surplus of the P.T.T.

Nationalized industries working under the jurisdiction of the ministries, such as the coal and railroad industries, should be included also. From the presentation given, it is deduced that any loans made by these industries are made with the approval of the Treasury, and that the expenditure of funds from these loans is included in the general budget.

With these reservations the figures for France are printed in table VI.

IX. GERMANY

Method II is used for Germany.

Figures used are from the "Monthly Report of the Deutsche Bundesbank," printed monthly and translated from the German by Patrie Translations Ltd., 22 Cheyne Walk, Henden Central, London, NW. 4, England.

The figures are on a cash basis, checks paid, so are similar to the United States presentation. In the accompanying tables, change of net indebtedness for the "Federal Government," "Equalization of Burdens Funds," the "Federal Railways," and the "Federal Postal Administration" are added algebraically to the change in cash balances for these same

items, giving a clear picture of net deficit or surplus for the years under consideration. Government participation in profits or losses from private companies with public directors are included on a net basis under the heading "Federal Government." Other important functions, such as Government contributions to the pension insurance and the unemployment insurance funds are included in the Government budget, and thus are reflected in the operations of the Treasury. The Treasury balances reflect only these governmental contributions, however, and not the actual surplus or deficit of these two funds. I have added the surpluses or deficits in the table.

A comment must be made concerning item "V," "equalization claims." These are loans made to the Treasury during World War II by the land central banks in Germany. After the war, and the currency reform, these debts were readopted by the Central Government. Germany classifies them separately from the Federal debt, but they are debts incurred by the Central Government and are so considered here.

TABLE VII.—*Germany: Computation of deficit and/or surplus for years 1955–60*

[Millions of deutsche mark]

| Item | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 |
|---|---|---|---|---|---|---|---|
| INDEBTEDNESS | | | | | | | |
| I. Federal Government: | | | | | | | |
| A. Internal: | | | | | | | |
| 1. Federal Government proper | 1,146 | 677 | 990 | 391 | 662 | 1,512 | 2,553 |
| 2. Special credit to international institution | 391 | 391 | | | | 1,211 | 1,387 |
| 3. Credit with respect to coinage | | 28 | 88 | 84 | 77 | 84 | 93 |
| B. External | 7,746 | 8,079 | 8,056 | 7,982 | 7,798 | 6,695 | 6,856 |
| II. Equalization of burdens fund | 480 | 811 | 816 | 592 | 685 | 1,313 | 1,490 |
| III. Federal railways | 2,546 | 2,601 | 3,037 | 3,933 | 5,239 | 4,767 | 5,292 |
| IV. Federal postal administration | 1,456 | 1,981 | 2,371 | 2,627 | 3,448 | 3,978 | 4,586 |
| V. Equalization claims | 7,948 | 8,129 | 8,082 | 10,698 | 10,856 | 11,061 | 11,164 |
| Total [1] | 21,713 | 22,669 | 23,352 | 26,223 | 28,683 | 30,537 | 33,328 |
| Change from previous year* | | −984 | −768 | −2,955 | −2,537 | −1,938 | −2,884 |
| CASH BALANCES | | | | | | | |
| I. Federal Government | 13 | 1,969 | 3,014 | 4,093 | 4,025 | 922 | 815 |
| II. Federal special funds | 131 | 470 | 643 | | | | |
| Total | 144 | 2,439 | 3,657 | 4,093 | 4,025 | 922 | 815 |
| Change from previous year* | | +2,295 | +1,218 | +436 | −68 | −3,103 | −107 |
| Workers' and employees' pension insurance fund and unemployment insurance fund (surplus or deficit for year)* | | +910 | +881 | −407 | +850 | +1,160 | +2,350 |
| Total surplus or deficit (algebraic addition of items marked with an asterisk) | | +2,221 | +1,331 | −2,926 | −1,755 | −3,881 | −641 |

[1] N.B.—Item No. I-A-3 is a net figure, and is added directly to change in indebtedness.

X. SUMMARY AND ANALYSIS OF DATA

On a yearly basis, deficits were incurred by the countries considered in the following proportions:

TABLE VIII.—*Proportion of time deficits were incurred*

| Country: | |
|---|---|
| United States | 18/33 |
| United Kingdom | 27/33 |
| France | every year or 33/33 |
| Germany | 22/33 |

That is, the United Kingdom had a deficit 9 out of 11 years, France had a deficit for 10 consecutive years, Germany had a deficit 4 out of 6 years, and the United States had a deficit in 6 out of 11 years. See table VIII for a visual comparison. The comparison for Germany covers only 6 years. In sign, however, the figures for these 6 years correspond exactly with Table VI–5: Federal Finances on a Cash Basis, printed in the "Monthly Report of the Deutsche Bundesbank" for October 1961. If one can assume this correspondence as indicative for the 11 years as a whole, Germany had a deficit exactly the same number of years as did the United States.

On a gross basis, the impact of a given deficit in a given country depends on the size of this deficit as compared with (1) the gross national product of the country; and (2) the relationship of total government activity as a percentage of gross national product.

The problem of measurement of the totality of government operations in gross amount is a much more intricate one accountingwise than the mere measurement of deficit or surplus, however, and has not been tackled here. Thus, the second comparison has not been made. The first is presented below. (See table IX.)

In table IX, two ways of looking at the relationship of the deficit and surplus figures I have derived to the gross national product are considered. The first is simply the yearly ratio of the deficit or surplus of the country concerned to the gross national product, expressed in percent. The second is the following cumulative measure:

For the entire period section III of table IX shows the size of the deficits and surpluses in comparison with the gross national products of the four countries. A cumulative measure is presented below:

| | Highest percent (number of years) | Lowest percent (number of years) |
|---|---|---|
| United States | | 6 |
| United Kingdom | 1 | 1 |
| France | 9 | |
| Germany | | |

This merely means that as a percent of gross national product, the surpluses and deficits of the United States were consistently the lowest, whereas France was the highest. In other words, the deficits and surpluses of the United States were small in relation to her gross national product; in France they were high. This is undoubtedly a reflection of more than fiscal stability; a country with central government operations in total amount a large proportion of gross national product following modern anticyclical fiscal policy would be more likely to have high ratios than a country in which the central government plays a small part. Nevertheless, France's ratios are consistently large deficits; she has no surpluses.

TABLE IX.—*United States, United Kingdom, France, Germany: Comparison of surplus and deficit figures*

| Item | 1950 | 1951 | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 |
|---|---|---|---|---|---|---|---|---|---|---|
| I. Gross national product: | | | | | | | | | | |
| A. United States [1] | 284,599 | 329,975 | 346,979 | 367,188 | 364,772 | 398,935 | 420,296 | 444,009 | 445,968 | 483,427 |
| B. United Kingdom [2] | 13,224 | 14,596 | 15,810 | 16,960 | 18,042 | 19,213 | 20,804 | 21,936 | 22,867 | 23,697 |
| C. France [3] | 96.10 | 118.60 | 141.40 | 149.8 | 158.7 | 170.0 | 187.9 | 209.9 | 237.7 | 257.1 |
| D. Germany [4] | 97,200 | 119,600 | 134,200 | 145,500 | 156,400 | 178,300 | 196,400 | 213,600 | 228,200 | 247,000 |
| II. Deficit or surplus: | | | | | | | | | | |
| A. United States [5] | 0.5 | 1.2 | −0.6 | −7.2 | −1.1 | −0.7 | 5.5 | 1.2 | −7.3 | −8.0 |
| B. United Kingdom [6] | 611 | −55 | −464 | −628 | −74 | −42 | 150 | −175 | −101 | −292 |
| C. France [7] | | −2.40 | −6.27 | −7.94 | −7.56 | −8.32 | −11.72 | −12.21 | −9.36 | −5.48 |
| D. Germany [8] | | | | | | 2.221 | 1.331 | −2.926 | −1.755 | −3.881 |

[1] All GNP figures taken from various editions "U.N. Yearbook of National Accounts Statistics," Statistical Office of the United Nations, New York. U.S. figures in million of current dollars.
[2] Millions of current pounds.
[3] Billions of new francs (current).
[4] Millions of current deutsche marks.
[5] Billions of current dollars.
[6] Millions of current pounds.
[7] Billions of new francs (current).
[8] Millions of deutsche marks (current).

TABLE IX.—*United States, United Kingdom, France, Germany: Comparison of surplus and deficit figures*—Continued

| Item | 1950 | 1951 | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 |
|---|---|---|---|---|---|---|---|---|---|---|
| III. Ratio of II÷IX100: | | | | | | | | | | |
| A. United States | 0.1757 | 0.3637 | −0.1729 | −1.9610 | −0.3016 | −0.1755 | 1.8086 | 0.2703 | −1.367 | −1.655 |
| B. United Kingdom | 4.6200 | −.3770 | −2.9350 | −3.7030 | −.4100 | −.219 | .7210 | −.7980 | −.442 | −1.190 |
| C. France | | −2.0240 | −4.4340 | −5.3000 | −4.7640 | −4.8940 | −6.2370 | −5.8170 | −3.938 | −2.131 |
| D. Germany | | | | | | 1.2460 | .6780 | −1.3700 | −.769 | −1.571 |
| IV. Cumulative ratio of II÷IX100: | | | | | | | | | | |
| A. United States | .1757 | .2766 | .1144 | −.4591 | −.4252 | −.3776 | −.0955 | −.0406 | −.250 | −.425 |
| B. United Kingdom | 4.6200 | 1.9990 | .2110 | −.8550 | −.7760 | −.6660 | −.4230 | −.4820 | −.476 | −.572 |
| C. France | | −2.0240 | −3.3350 | −4.0530 | −4.2520 | −4.3990 | −4.7720 | −4.9650 | −4.787 | −4.369 |
| D. Germany | | | | | | 1.2460 | .9480 | .1060 | −.138 | −.471 |

The fourth part of table IX shows the cumulative effect over the various time periods studied, of the central government operations. All countries have on balance sustained a deficit. France has the largest cumulative deficit in relation to gross national product, the United Kingdom is second, Germany is third, and the United States is the smallest.

In summary, measurement has been made of cash deficit and surplus for the Central Governments of the United States, the United Kingdom, France, and Germany. The United States has earned the reputation of the "surplus" country in comparison to its Western European allies.

Mr. PROXMIRE. I feel that careful study of this analysis will reward any Senator who undertakes it. It will not only provide an understanding of the argument that has been made by most of the economists inside the administration, but also it will provide a great deal of illumination, I think, for those who disagree.

Basically, if we can reduce the budget figures to comparable bases, the study shows that the United States ran less of a budget deficit than any of the other countries relative to spending, revenue, and the total budget. It argues that in the 11 years from 1950 to 1960 the cash budget of the United States, which is of course quite different than the administration's budget, was in balance about half the time. The cash budget of the United Kingdom was in balance only 2 years. The cash budget of France was not in balance at all. There was a deficit in every year.

The figures are incomplete for Germany. In the 6 years for which the figures are available, the cash budget was in balance 2 years, and out of balance 4.

Furthermore, the deficits of the United States were less substantial than the deficits of the other countries. That fact has usually been construed by some as the basis of an argument that it is the reason why the European economies have advanced and grown so rapidly. I think we must face the facts.

This study does a good job in presenting the facts. To derive from the study that the way to solve our problem is to have an unbalanced budget is a non sequitur. It ignores many other factors. An analysis of the economies of Europe indicates that there are many reasons other than Government spending why those economies have grown. Of course, the principal, overwhelming, and obvious reason is that the economies of those countries have had to be reconstructed from their devastated condition in wartime. They had a long ways to go to rebuild. A great deal of American capital was made available to them. Europeans had remarkable human skills, and were in a position to grow rapidly.

So, of course, they grew, expanded rapidly, and developed.

We must have that fact in mind as we appraise Mr. Gantt's very excellent and useful study.

Incidentally, to keep the subject in proportion, I refer Senators to another interesting view by Dr. Harley L. Lutz, professor emeritus of finance, Princeton University. Dr. Lutz is a consultant on Government economy for the NAM, which takes a contrary view on budget deficits. Professor Lutz also analyzes surpluses and deficits and does so not merely on the basis of an administrative budget but also on the basis of a consolidated cash budget and the national income accounts budget.

The years since 1953 have been years of relative prosperity, peace, and recovery from the war. In those 10 years, using three of the various measures of Government activity available, including the administrative budget, the consolidated cash statement and the national income accounts, Dr. Lutz shows that we have run deficits, with only three exceptions, and in those years the deficits greatly exceeded our surpluses.

I ask unanimous consent that the article entitled "New Federal Budget Ideas Only Hide Facts of Debt, Deficits; Will Not Aid Economy," by Harley L. Lutz, published recently in the Wall Street Journal, be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

NEW FEDERAL BUDGET IDEAS ONLY HIDE FACTS OF DEBT, DEFICITS; WILL NOT AID ECONOMY

(By Harley L. Lutz)

The notion that Government spending is the best way to increase employment and raise the rate of economic growth is harder to get rid of than crabgrass.

The killing frosts of economic reality do not prevent the sprouting of a new crop of spending nostrums with each annual budget. And as the budget total rises, year after year, with no demonstrable contribution to the solution of either of these problems, the effort to rationalize and justify the increased spending extends to ever less tenable positions and arguments. For example, Dr. Robert C. Turner, Assistant Director, Bureau of the Budget, in an address before the Midwest Economic Association on April 12, 1962, undertook to explain why the administration's budget policy was not making greater headway in promoting employment and economic growth. He posed the following question:

"Specifically, does the juxtaposition of the present system of Federal budget accounting, and prevailing public attitudes in this country toward the budget, deficits, and the national debt, constitute a significant barrier to the achievement of sustained full employment and vigorous economic growth in the United States today?"

The question is rhetorical in that it is not intended to elicit an answer. The question form is used to state a conclusion. The administration viewpoint on budget policy is that the present system of Federal budget accounting must be supplemented by other accounting devices because it does not serve adequately the purposes of Federal economic planning; and that the people, by clinging to old-fashioned attitudes toward deficits and debts, are hindering the use of the budget as a tool for directing the economy.

BRINGING OUT THE FACTS

The present system of Federal budget accounting, which is the administrative budget, is the only system that brings out the facts of deficit and debt increase, facts that are becoming more unpalatable with the passing years. It has been argued, by Dr. Heller for instance, that if the people could be "educated" to understand and accept other budget accounting devices as more important indicators of budgetary significance than the administrative budget, they would have a better perspective, and perhaps would worry less about such matters as debts and deficits.

In the address cited above, Mr. Turner contends that the administrative budget distorts the indicated deficit or surplus because, (1) it excludes trust fund transactions, (2) it is on a cash rather than an accrual basis, and (3) it makes no distinction between capital and operating expenditures. He says, further that the administrative budget is loaded in the direction of deficits because it includes, as expenditures, net loans made by the Government and purchases of existing assets such as land.

The issues of distortion and loading can be easily tested by comparing the past decade's surpluses and deficits as shown by the administrative budget with the results shown by the two accounting devices said to be superior, namely, the consolidated cash statement and the expenditures and receipts recorded in the national income accounts. (See chart.)

The differences in these budget accounting concepts are, in brief, as follows: The administrative budget is the record of receipts and expenditures under the ordinary Government programs as authorized by legislative enactments. Its totals do not include trust fund transactions. The cash consolidated statement summarizes the cash transactions between the Treasury and the people. It includes trust fund receipts and expenditures but excludes intergovernmental receipts and expenditures which do not involve cash flow to or from the public. The Commerce Department record of Federal receipts and expenditures in the national income

account is, in large degree, on an accrual basis. It excludes Government loans and purchases of existing assets such as land.

One reason for the current Budget Bureau emphasis on the national income accounts, and for Mr. Turner's contention that the administrative budget is loaded on the side of deficits, may be in the fact that the income accounts record shows a net deficit of $15.1 billion for the 10-year period, 1953–63, as against a net deficit of $38.4 billion in the administrative budget. However, the test of which figure is the more realistic is provided by the increase of public debt, which is estimated at $36.1 billion. The difference of $2.3 billion between the net deficit and the debt increase is to be accounted for by changes in the general fund and other cash balances. The debt increase cannot be explained or accounted for by either the consolidated cash statement or the national income accounts. It would, of course, be very helpful to the aim of directing the economy through the budget, if the people could be persuaded, or educated, to believe that the significant net deficit for the decade was only $15.1 billion instead of $38.4 billion.

Neither the consolidated cash statement nor the national income account record can be used as a substitute for the administrative budget. The emphasis on these supplementary accounting procedures is for the purpose of diverting attention from the hard facts of deficit and debt which stand out in the administrative budget. For example, in the 1962 Budget Review (p. 14) it is noted that whereas the 1962 deficit in the administrative budget was estimated at $7 billion, as measured by the national income accounts the deficit was only $200 million.

"CAPITAL OUTLAYS"

There is another budgetary procedure which has been emphasized in the budget discussions of the present administration that would involve serious debt consequences. This is the capital budget, which means a segregation of so-called capital expenditure from those for current operation. The following statements from Mr. Turner's remarks, cited above, reveal the current official view:

"Finally, the administrative budget, by including in the budget totals both capital expenditures and current operating expenditures, seriously handicaps Government efforts to promote economic growth by the creation of productive assets. * * * Productive investment is not limited to physical assets, to public works. Every businessman knows that expenditures for technological research, for the development of executives, or for product acceptance and good will, are productive investments in just as real a sense as investments in physical plants—whether or not they are so shown on the company's books.

"So it is with Government investment. Government expenditures for public and higher education, for improving the health of our people, or for stepping up the productivity of our labor force through training and retraining, may be considered as capital investments of equal or greater value than expenditures for power dams and highways. * * * The stigma attached to deficits in the Federal administrative budget inhibits making capital expenditures which would contribute in a very real and often strategically important way to economic growth."

If, under the Budget and Accounting Act, it had been possible to set up the 1963 budget to distinguish between capital and current expenditures, and if there had been no debt ceiling to prevent borrowing for capital costs, there could have been a handsome but illusory surplus of more than $18 billion in the administrative budget. However, in view of what happened to certain estimates regarding expenditure reductions of $1.4 billion in the 1963 budget, it is possible that much of such a "paper" surplus would have been used up in greater current spending for domestic civil functions.

The parallel which Mr. Turner attempts with business practice does not support his case. It is true that the value of expenditure for research and development is universally recognized by businessmen. But these expenditures are not capitalized except as IRS rules require it. And even then, the capitalized expenditure is charged off over the specified period against current income. Only in very exceptional circumstances would prudent management plan to issue debt for R. & D. expenses.

The burden of the official argument in support of separating capital from current expenditures in the budget is that this would enable the Government to make a substantial contribution to economic growth. Obviously, the intention is to borrow for the capital costs. Otherwise, a mere bookkeeping segregation of items, all of which would be paid for from current revenue, would not change the present situation. The proposition therefore comes down to a scheme to borrow $20 billion or more every year to finance a part of the Federal costs. If tax receipts were held high enough to yield a $20 billion surplus to be applied against the debt, the capital budget scheme would be futile. If debt were allowed to rise year after year, inflationary forces would wreck the price structure and eventually destroy the value of the currency.

NO AID TO ECONOMY

It is impossible to believe that responsible Budget Bureau officials can expect to promote genuine economic growth by a segregation of so-called capital items which would be paid for by borrowing. It is equally impossible to accept the implication that the "stigma" of deficits can be removed by any sort of juggling between capital and current expenditures as long as the former are to be covered by debt increase.

The plain fact is that the budgetary policy of the administration is not providing the economic stimulus hoped for by its sponsors and proponents. It is an unworthy excuse to say, as Mr. Turner does, that the public attitude toward debt and deficits is the barrier to greater achievement. The immense budget and the crushing taxload required to carry it are the real barriers.

Economic growth depends on the performance of the private economy, not on the performance of Government. Government "investment" is, in a large degree, a substitution for, not an addition to, private investment. The motives and incentives of the private enterprise system are vastly superior to central government planning as a means of effectively allocating productive resources.

The most effective and also the most intelligent course for the Government to pursue, in the interest of genuine-high-level production, employment, and income would be to take immediate, drastic steps to reduce Government spending and reform the tax structure so as to make possible an amount of capital formation consistent with the needs of a growing labor force and the status of the United States as the leader of the free world. Furthermore, the budget should be considered as a guide to the provision of necessary public services and their financing, and not as an instrument for directing the economy. In this regard, the administrative budget provides the only accurate record of deficits and debt increases and therefore should continue to be that guide. It should not be supplanted as a basis for fiscal policy by other methods of reporting Government receipts and expenditures which tend to obscure these facts.

Mr. Turner ends his remarks with the following statement by Edwin L. Dale, of the New York Times European staff:

"Americans can go on having unemployment if they want to enjoy their quaint ideas about 'deficits,' the 'national debt,' and the 'dangers of Government spending.' Seems a pity though, for the unemployed."

Quaint ideas, indeed. Nothing could be more quaint or more fallacious than the proposition, obviously endorsed by the second highest officer in the Budget Bureau, that the remedy for unemployment is vast Government spending, uninhibited by intellectual or practical considerations of deficits and debt. The real tragedy of the unemployed, the real reason why they are to be pitied, is that sound understanding of their plight and correct remedial measures have been sidetracked to give Government spending the right-of-way.

## IMPLICATIONS OF THE SOVIET VETO

Mr. PROXMIRE. Madam President, I call the Senate's attention to an excellent editorial in today's Washington Star discussing the implications of the Soviet Union's 100th veto.

Madam President, the Senate should reflect long and hard on the immense difficulties that have confronted our gifted Ambassador to the United Nations and our Secretary of State and President in dealing in the United Nations with the 100 roadblocks of 100 Soviet vetoes.

Under these circumstances our progress toward peace through the U.N. has been remarkable. Senators should think long and hard on this before the next criticism of our policies in the U.N. emanates from this body.

I ask unanimous consent that the editorial be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

"NYET" AND PEACE

A bleak fact of our time is that the Soviets, whenever they think it suits their dark purposes, deliberately stir up international strife and do their tension-breeding best to obstruct the peaceful settlement of disputes between one country and another. A glaring case in point is the Russian vote that has just been cast in the United Nations Security Council against efforts by the majority to persuade an angrily resistant India to get together with Pakistan in new talks aimed at promoting a friendly, good neighborly, mutually satisfactory resolution of their bitter 15-year-old controversy over Kashmir.

In terms of arithmetic, this latest "nyet" from Moscow means that the Kremlin now has exercised its veto rights for the 100th time since the founding of the world organization. The number is nice and round, but its implications are ugly. This is so because it adds up to a sort of contempt for some of the most basic principles of the U.N. Charter, and it stands out in shocking contrast to the record of the other permanent members of the Security Council. Our own country, for example has yet to cast a single such thumbs-down vote—a fact that serves to dramatize how the Soviet Union's grimly extravagant and reckless abuse of that power has kept our globe in a constant state of unease, tension, and turmoil.

Taking sharp note of all this, Adlai Stevenson, our chief delegate to the United Nations, has spoken not only for the United States but for the world at large in expressing the "hope that long before the Soviet Union approaches its 200th veto, it will realize that its own interests lie not in national obstruction but in international cooperation, not in willful vetoes for narrow ends but in willing assents for the broad and common good for which the U.N. stands." Perhaps the hope is forlorn, but there is no harm in giving voice to it on the off chance that it may help to persuade the Kremlin, in due course, to put an end to its dreary negativism and start voting affirmatively on the side of peace.

Mr. PROXMIRE. Madam President, I yield the floor.

Mr. BYRD of Virginia. Madam President, I make the point of no quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. SMATHERS. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

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## EXTENSION OF EXISTING CORPORATE- AND EXCISE-TAX RATES

The Senate resumed the consideration of the bill (H.R. 11879) to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, and for other purposes.

Mr. BYRD of Virginia. Madam President, I ask unanimous consent that the committee amendments be agreed to en bloc and that the bill as amended be considered as original text for the purpose of any amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendments, agreed to en bloc, are as follows:

On page 4, after line 11, to insert:

"SEC. 4. EXEMPTION FROM COMMUNICATIONS TAX OF CERTAIN PRIVATE LINE SERVICES USED IN CONDUCT OF TRADE OR BUSINESS

"(a) WIRE MILEAGE SERVICE.—Section 4252 (e) of the Internal Revenue Code of 1954 (relating to definition of wire mileage service) is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

"'(1) any telephone or radiotelephone service not used in the conduct of a trade or business, and

"'(2) any other wire or radio circuit service not used in the conduct of a trade or business,'.

"(b) GENERAL TELEPHONE SERVICE.—Section 4253 of such Code (relating to exemptions from the communications tax) is amended by adding at the end thereof the following new subsection:

"'(j) CERTAIN PRIVATE COMMUNICATIONS SERVICES.—No tax shall be imposed under section 4251 on any amount paid for the use of any telephone or radiotelephone line or channel which constitutes general telephone service (within the meaning of section 4252(a)), if—

"'(1) such line or channel is furnished between specified locations in different States or between specified locations in different counties, municipalities, or similar political subdivisions of a State, and

"'(2) such use is in the conduct of a trade or business.'

"(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply with respect to services furnished on or after July 1, 1962."

At the top of page 6, to strike out:

"SEC. 4. 6-MONTHS EXTENSION OF TAX ON TRANSPORTATION OF PERSONS, AND FURTHER EXTENSION OF TAX ON TRANSPORTATION OF PERSONS BY AIR AT 5-PERCENT RATE FOR PERIOD JANUARY 1, 1963, TO JULY 1, 1963."

And, in lieu thereof, to insert:

"SEC. 5. 3-MONTHS EXTENSION OF TAX ON TRANSPORTATION OF PERSONS, AND FURTHER EXTENSION OF TAX ON TRANSPORTATION OF PERSONS BY AIR AT 5-PERCENT RATE FOR PERIOD OCTOBER 1, 1962, THROUGH JUNE 30, 1963."

In line 17, after the word "before," to strike out "January 1, 1963" and insert "October 1, 1962"; in line 22, after the word "before," to strike out "January 1, 1963" and insert "October 1, 1962"; on page 7, line 2, after the word "period," to strike out "January 1, 1963" and insert "October 1, 1962"; in line 4, after the word "after," to strike out "December 31" and insert "September 30"; at the beginning of line 15, to strike out "December 31" and insert "September 30"; on page 8, line 2, after the word "after," to strike out "December 31" and insert "September 30"; in line 9, after the word "after," to strike out "December 31" and insert "September 30"; in line 25, after the word "States," to insert a comma and "but only if such portion is not a part of uninterrupted international air transportation (within the meaning of subsection (c)(3))"; on page 10, after line 11, to insert:

"'(3) UNINTERRUPTED INTERNATIONAL AIR TRANSPORTATION.—The term "uninterrupted international air transportation" means any transportation by air which is not transportation described in subsection (a)(1) and in which—

"'(A) the scheduled interval between (i) the beginning or end of the portion of such transportation which is directly or indirectly from one part or station in the United States to another port or station in the United States and (ii) the end or beginning of the other portion of such transportation is not more than 6 hours, and

"'(B) the scheduled interval between the beginning or end and the end or beginning of any two segments of the portion of such transportation referred to in subparagraph (A)(i) is not more than 6 hours.'"

On page 13, after line 18, to strike out:

"'(3) payment of such tax shall be made to the person to whom the payment for transportation was made or to the Secretary or his delegate.'"

And, in lieu thereof, to insert:

"'(3) payment of such tax shall be made to the Secretary or his delegate, to the person to whom the payment for transportation was made, or, in the case of transportation other than transportation described in section 4262(a)(1), to any person furnishing any portion of such transportation.'"

On page 17, line 2, after the word "after," to strike out "December 31" and insert "September 30"; in line 5, after the word "after," to strike out "January 1, 1963" and insert "October 1, 1962"; in line 7, after the word "after," to strike out "January 1, 1963" and insert "October 1, 1962"; in line 12, after the word "before," to strike out "January 1, 1963" and insert "October 1, 1962"; in line 14, after the word "after," to strike out "January 1, 1963" and insert "October 1, 1962"; in line 16, after the word "after," to strike out "December 31" and insert "September 30"; and on page 18, line 8, after the word "after," to strike out "January 1, 1963" and insert "October 1, 1962."

Mr. BYRD of Virginia. Madam President, the bill provides for a 1-year extension, until July 1, 1963, of the present corporate income tax rates and the existing rate for certain excise taxes. The tax rates which are extended would otherwise terminate on July 1 of this year.

The taxes which are affected by this bill are the normal corporate income tax rate, which will be continued for another year at 30 percent, and thereafter will revert to 25 percent; the excise taxes on distilled spirits, beer, wine, cigarettes, passenger cars, parts and accessories, and general telephone service.

Another category of excise taxes affected by the proposed legislation is the tax on transportation of persons. Under the House bill, this tax would be continued through December 31, 1962, at the present 10-percent rate. It would then be eliminated with respect to transportation of persons other than by air. The tax on air transportation would be reduced from 10 to 5 percent for the period between January 1, 1963, and June 30, 1963, and thereafter would be eliminated.

The committee amended the House bill in three respects: Two of the amendments are concerned with the tax on transportation of persons; the third relates to the excise tax on certain communications.

First, the committee amended the bill to provide that the changes in the rate of tax on transporation of persons would occur October 1, 1962, rather than January 1, 1963, as under the House bill. This amendment more closely conforms to the recommendation of the administration as reflected in the President's budget message of this year. This amendment reduces the yield of the House bill in fiscal 1963 by $55 million; of this amount, $26 million is attributable to air transportation, and $29 million is attributable to other forms of transportation.

The second amendment deals with air transportation. It is designed to eliminate a competitive advantage which foreign airlines have over domestic carriers in international travel. Under existing law, if an airliner whose destination is Europe travels from one point in the United States to another point in the United States before continuing its oversea flight, the portion of the cost attributable to U.S. travel is taxable. Under the committee amendment, effective October 1, 1962, if a scheduled stopover in this country does not exceed 6 hours, the domestic leg of the international flight would be tax exempt. This exemption is estimated to reduce the revenue under the House bill by $3 million for fiscal 1963 and by $4 million for a full year at the lower 5 percent rate.

The third amendment relates to the excise tax on certain communications. Under existing law, private telephone and other private communication systems leased to a user are subject to a 10-percent excise tax. On the other hand, if the user purchases his private communication system, there would be no tax. The committee feels this creates an unwarranted advantage in favor of businesses financially able to acquire their own communication systems. To elimi-

nate this advantage, the committee bill exempts from the communication tax private telephone systems, private teletypewriter service, closed circuit TV, educational TV, community antenna television channels, and private communication systems which may be used interchangeably for voice communication or data transmission, such as the Telpak service offered by communications carriers. This exemption would become effective July 1, 1962. In order for it to apply, however, the private system must be one used in the trade or business of the lessee. This exemption is expected to reduce the revenue under the House bill by $14 million in fiscal 1963 and by $18 million for a full year.

If all the tax rates affected by the bill were continued at current levels the revenue gain in fiscal 1963 would be $2.8 billion rather than the $2.7 billion under the bill as passed by the House and as amended by the committee.

The full-year effect of extension of all current rates would be $4.2 billion instead of the $4 billion under both forms of the bill.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table which illustrates in greater detail the revenue impact of the proposed legislation.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

*Estimates of the revenue effect of H.R. 11879 for the fiscal year 1963 and for a full year of operation*

[Millions of dollars]

| | Receipts in fiscal 1963 | | | Revenue gain, fiscal 1963 | | Full-year effect | |
|---|---|---|---|---|---|---|---|
| | Under present law, i.e., assuming scheduled reductions go into effect | Under House bill | Under your committee's bill | Under House bill | Under your committee's bill | Under House bill | Under your committee's bill |
| Corporation income tax | 23,450 | 24,600 | 24,600 | 1,150 | 1,150 | 2,500 | 2,500 |
| Excises: | | | | | | | |
| Liquor taxes: | | | | | | | |
| Distilled spirits | 2,334 | 2,500 | 2,500 | 166 | 166 | 169 | 169 |
| Beer | 731 | 820 | 820 | 89 | 89 | 91 | 91 |
| Wine | 89 | 100 | 100 | 11 | 11 | 11 | 11 |
| Total, liquor | 3,154 | 3,420 | 3,420 | 266 | 266 | 271 | 271 |
| Tobacco taxes: Cigarettes | 1,821 | 2,075 | 2,075 | 254 | 254 | 259 | 259 |
| Total, tobacco | 1,821 | 2,075 | 2,075 | 254 | 254 | 259 | 259 |
| Manufacturers' taxes: | | | | | | | |
| Passenger cars | 1,033 | 1,400 | 1,400 | 367 | 367 | 420 | 420 |
| Auto parts and accessories | 134 | 200 | 200 | 66 | 66 | 75 | 75 |
| Total, manufacturers' | 1,167 | 1,600 | 1,600 | 433 | 433 | 495 | 495 |
| Miscellaneous taxes: | | | | | | | |
| General telephone | 131 | 525 | [1] 511 | 394 | 380 | 525 | [1] 507 |
| Transportation of persons: | | | | | | | |
| By airlines | 117 | 169 | 140 | 52 | 23 | [2] 0 | [1] [2] −4 |
| By other carriers | 66 | 74 | 45 | 8 | −21 | [2] −58 | [2] −58 |
| Total, miscellaneous | 314 | 768 | 696 | 454 | 382 | 467 | 445 |
| Total excise tax collections | 6,456 | 7,863 | 7,791 | 1,407 | 1,335 | 1,492 | 1,470 |
| Deduct floor stock refunds | 188 | | | −188 | −188 | | |
| Net excise taxes | 6,268 | 7,863 | 7,791 | 1,595 | 1,523 | 1,492 | 1,470 |
| Net revenues | 29,718 | 32,463 | 32,391 | 2,745 | 2,673 | 3,992 | 3,970 |

[1] Adjusted for committee amendments providing exemptions.
[2] Assuming the full year at 5-percent rate for travel by airlines and no tax on travel by other carriers.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

Mr. ERVIN. Madam President, I call up my amendment, which is at the desk. I ask unanimous consent that the reading of the amendment be dispensed with and that the text of the amendment be printed at this point in the RECORD.

The PRESIDING OFFICER. Without objection, the reading of the amendment will be dispensed with; and without objection, the amendment will be printed in the RECORD.

The amendment is as follows:

At the end of the bill insert the following new section:

"SEC. 6. CABINETS QUALIFYING AS RADIO AND TELEVISION COMPONENTS.—(a) In section 4142 (relating to the definition of radio and television components) of the Internal Revenue Code of 1954 strike out 'adapted for such use.' and insert in lieu thereof 'adapted for such use, except that the term "cabinets" shall include only those cabinets sold on or in connection with the sale of any of the articles enumerated in section 4141.'

"(b) Subsection (a) of this section shall apply as if a part of the Internal Revenue Code of 1954 as originally enacted."

Mr. ERVIN. Madam President, section 4141 of the Internal Revenue Code imposes an excise tax of 10 percent on the sale by a manufacturer, producer, or importer of radio receiving sets or television receiving sets, radio and television components, and certain other items not germane to the purpose of my amendment. Section 4142 of the Internal Revenue Code defines radio and television components as follows:

As used in section 4141, the term "radio and television components" means the chassis, tubes, speakers, amplifiers, power supply units, antennae of the built-in type, and phonograph mechanisms which are acceptable for use on or in connection with or as component parts of any of the articles enumerated in section 4141, whether or not primarily adapted for such use.

Sections 4141 and 4142 of the Internal Revenue Code were uniformly interpreted until April of this year to be designed to place an excise tax upon the sale of the specified items, all of which could only be used in connection with radio receiving sets or television receiving sets, other than the cabinets. They were interpreted, so far as the cabinet provision was concerned, to apply only to cabinets which were to be used as parts of radio and television receiving sets. The manifest purpose of Congress was that the excise tax should be imposed solely upon such cabinets as were actually manufactured and sold for the purpose of housing the chassis of radio receiving sets or television receiving sets.

In April of this year, the Internal Revenue Service handed down a ruling, which is not of itself incompatable with the prior interpretation, but which contains some general language which could be interpreted to mean that the Internal Revenue Service is ruling that every cabinet or stand, of any type whatsoever, which is susceptible of being put to use as a container for a radio receiving set or a television receiving set is subject to the 10-percent excise tax on its sale, notwithstanding the fact that the cabinet or stand may be susceptible a multitude of other uses and notwithstanding the fact that the manufacturer has no knowledge or information of any kind as to what the use of the cabinet or stand will be, and notwithstanding the fact that the cabinet or stand may never be used to contain a radio or a television receiving set.

This general language is contrary to the intent of Congress and to the prior interpretation of these two sections of the Internal Revenue Code. The soundness of the prior interpretation is made manifest, I believe, by section 4220 of the Internal Revenue Code, which provides that when a manufacturer makes cabinets to house radio receiving sets or television receiving sets, and sells them to another manufacturer who does install the sets in them, the excise tax is to be paid by the latter manufacturer, rather than by the manufacturer of the cabinets.

The ruling, which has raised much consternation among manufacturers of cabinets susceptible for use for a multitude of purposes, and not knowingly sold for the purpose of containing radio and television receivers, is stated in sections 48.4142–1(a) and (c)(2) of the Manufacturers and Retailers Excise Tax Regulations, and is published in 26 CFR 48.4142–1, entitled "Radio and Television Components." If one interprets this ruling strictly, and restricts the meaning of the ruling to the exact case covered, it would not be susceptible of the broad interpretation which is being placed upon it by the furniture industry. This is true because the decision is to this effect: Cabinets and so-called

stands designed to enclose complete television receiving sets come within the scope of the term "radio and television components," as defined by section 4142 of the Internal Revenue Code of 1954.

Using the word "designed" in its ordinary meaning, the ruling would apply to cabinets and stands which are set apart for use as containers of radio or television receiving sets. But this opinion contains some general language which can be construed to mean that any cabinet manufactured for any purpose—and they are manufactured for scores upon scores of purposes—which is susceptible of use by anyone at any time in the future to contain a radio receiving set or a television receiving set is subject to this excise tax.

If that possible interpretation is adopted and enforced, it would undoubtedly result in the bankruptcy of many now engaged in the furniture industry. This is so because not only would it apply in the future to cabinets of all kinds, but it would also be retroactive to the time of the original enactment of this law. Such possible interpretation is inconsistent with the previous interpretation placed upon sections 4141 and 4142 by the Internal Revenue Service in its actual collection of taxes, and also in the regulations adopted for the enforcement of these statutes. Such regulations define a "cabinet" within the meaning of these statutes as a container suitable for housing a chassis for a radio receiving set or a television receiving set.

But under the new interpretation, assuming that the Internal Revenue Service adheres to the general language it uses, an excise tax would be imposed not only upon a cabinet actually manufactured and sold for use as a container for a radio receiving set or a television receiving set, but also upon all cabinets and stands which, by reason of their shape or size, would be susceptible of use—whether they were ever so used or not—to house a radio receiving set or a television receiving set already housed in another cabinet. In other words, the new possible interpretation would change the regulation which now provides that a cabinet is a container suitable for housing a radio or television receiving set, and would make it provide that any cabinet is subject to the excise tax if the cabinet is susceptible of use to house another cabinet which already houses a radio or a television receiving set even if it is not designed for such purpose and may never be used for such purpose.

My amendment would clarify these provisions of the Internal Revenue Code and make plain what I contend was the original intent of Congress and what has been the interpretation uniformly placed upon this section of the Internal Revenue Code from the beginning; namely, that the excise tax imposed by section 4141 should apply only to a manufacturer or producer or importer only when he sells a cabinet for use with or in connection with a radio receiving set or a television receiving set. My amendment would also make certain that the new interpretation would not be applied retroactively.

Mr. President, in order that the problem may be presented in an understandable manner, I ask unanimous consent to have printed at this point in the RECORD, as part of my remarks, a copy of the ruling of the Internal Revenue Service; a copy of a document entitled "Memorandum Explaining Need for Change of Statute"; and the original of a letter, dated June 23, written to me by Mr. Joseph Harold Everington, of High Point, N.C. The letter and the memorandum make clear the necessity for amending these statutes so that they will conform to the original intent of Congress and will result in the imposition of the excise tax only upon cabinets which actually are manufactured and sold to house radio or television receiving sets.

The PRESIDING OFFICER (Mr. HICKEY in the chair). Is there objection?

There being no objection, the ruling, the memorandum, and the letter were ordered to be printed in the RECORD, as follows:

SECTION 4142. DEFINITION OF RADIO AND TELEVISION COMPONENT

(26 C.F.R. 48.4142–1: Radio and television components. Rev. Rul. 62–62)

"Cabinets and so-called stands designed to enclose complete television receiving sets come within the scope of the term 'radio and television components' as defined by section 4142 of the Internal Revenue Code of 1954. Therefore, sales of these articles by the manufacturer, producer, or importer thereof are subject to the manufacturers excise tax imposed by section 4141 of the code."

Advice has been requested whether certain cabinets and so-called stands, which are designed to enclose television receiving sets, are considered to be television components within the meaning of section 4142 of the Internal Revenue Code of 1954.

A manufacturer of television receiving sets also manufactures decorative cabinets of various styles, sizes, colors, and finishes, which are designed to match the decor or period style of the furniture in a particular room. They are built with doors, and they have no shelves. Although they also may be used as bookcases, liquor cabinets, etc., they are designed, advertised, and sold as enclosures for table model television receiving sets. When such a cabinet is used to enclose a television receiving set, the set itself remains enclosed in its original cabinet and is a complete unit which operates independently of the decorative cabinet.

The company also manufacturers a stand which is designed as a partial enclosure for a table model television receiving set. This article has four legs and is equipped with a bottom panel, a top panel, and two side panels, but it has no front or rear panel. When a television receiving set is placed in the stand, the set is enclosed except for the front and rear sections.

A television receiving set may be readily removed from the decorative cabinet or from the stand and used elsewhere.

Section 4141 of the code imposes a tax upon the sale by the manufacturer, producer, or importer of certain articles, among which are "television receiving sets" and "radio and television components."

Section 4142 of the code defines the term "radio and television components" to mean chassis, cabinets, tubes, speakers, amplifiers, power supply units, antennae of the "buit-in" type, phonograph mechanisms, and phonograph record players, which are suitable for use on or in connection with, or as component parts of, any of the articles enumerated in section 4141, whether or not primarily adapted for such use.

Section 48.4142–1(a) of the manufacturers and retailers excise tax regulations provides that, in general, the term "radio and television components" means, among other things, cabinets which are suitable for use on or in connection with, or as a component part of, any radio or television receiving set, phonograph, or combination of any of the foregoing. Section 48.4142–1(c)(2) of the regulations provides that the term "cabinets" includes containers suitable for housing a chassis for any radio or television receiving set, phonograph, or combination of any of the foregoing.

The Internal Revenue Service considers that the term "cabinet" for a television receiving set, as meant by section 4142 of the code and section 48.4142–1 of the regulations, includes an enclosure which covers the sides and top of a table model television set as well as furnishing a support for such set.

Since the so-called stand, which has bottom, top, and side panels, and the decorative cabinets enclose television receiving sets, they are cabinets and are suitable for use on or in connection with television receiving sets. Therefore, it is held that they come within the scope of the term "radio and television components" as defined by section 4142 of the code. Accordingly, the sale of such a cabinet or "stand" by the manufacturer, producer, or importer thereof is subject to the manufacturers excise tax imposed by section 4141 of the code.

On the other hand, a table which merely supports a table model television receiving set without covering the sides and top of the set is not considered to be a cabinet within the meaning of the law and regulations. The sale of such a table is not subject to the manufacturers excise tax.

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MEMORANDUM EXPLAINING NEED FOR CHANGE OF STATUTE

SECTIONS 4141 AND 4142

Section 4141 imposes a manufacturers excise tax on radio receiving sets, television receiving sets, etc. The tax also applies to "radio and television components."

Section 4142 defines "radio and television component" to mean certain enumerated items "which are suitable for use on or in connection with, or as component parts of, any of the articles enumerated in section 4141, whether or not primarily adapted for such use." Included in the definition is "cabinets."

The Internal Revenue Service, in regulations section 48.4142–1(b), defines the term "suitable for use," in regard to the definition of "radio and television component," to mean an item "if it is commonly used with any of the articles enumerated in section 4141 * * * or if it possesses actual, practical commercial fitness for such use." Further, the above regulation (subdiv. (c)(2)), defines "cabinets" to include containers suitable for housing a chassis for any radio or television receiving set, phonograph or combination of the foregoing.

It has been brought to our attention that the definition of "radio and television component," in its application to "cabinets," in the statute and in the regulations, is too broad in scope. Any cabinet produced by a furniture manufacturer possesses "actual, practical commercial fitness" for use in connection with a radio or television receiving set. The implication in the statute is that a cabinet which may be used for various other purposes would be subject to the manufacturers excise tax, if it can be adapted to house a radio or television set, even if this were never done.

Revenue ruling 62–62 (IRB, 1962–17, Apr. 23, 1962) is indicative of the scope which the Internal Revenue Service gives to the term "radio and television components." The Service ruled that cabinets, which are designed to enclose television receiving sets, are television components within the meaning of section 4142 of the Internal Revenue Code, although such cabinets could be used as bookcases, liquor cabinets, etc.

Clearly, it is not proper to place the burden of the tax upon all cabinets or enclosures, regardless of their potential use. This would be placing a burden upon the furniture industry when the product manufactured does not have any direct connection with, and is not, necessarily, a part or accessory of a radio or television receiving set.

Accordingly, to clarify the situation, it is proposed to amend section 4141 so as to limit the tax, as to cabinets, only to cabinets and other enclosures which are sold on or in connection with the sale of the articles enumerated in section 4141, i.e., radio and television receiving sets, etc. It is proposed to amend the definition in section 4142 of "cabinets" (to which "other enclosures" has been added) to exclude cabinets and other enclosures not sold on or in connection with the sale of any of the articles enumerated in section 4141.

Accordingly, under the proposed amendment to the code, separate sales by a manufacturer of cabinets and other enclosures, other than on or in connection with an article enumerated in section 4141, would not be subject to the Manufacturers Excise Tax imposed by section 4141. However, if a manufacturer sells cabinets and other enclosures on or in connection with the sale of an article enumerated in section 4141, the tax on the enumerated article sold would apply to the total sales price of the complete article, including the cabinet or enclosure, as the case may be.

Sections 4141 and 4142, as amended, shall be effective, retroactively, to all years to which said sections, as originally enacted, apply.

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HIGH POINT, N.C., *June 23, 1962.*

Hon. SAM J. ERVIN, Jr.,
*U.S. Senate,*
*Washington, D.C.*

DEAR SENATOR ERVIN: As you requested at our meeting in your office yesterday, I shall attempt to summarize some of the points discussed in relation to the taxability of cabinets under Code Sections 4141 and 4142.

Section 4142 defines "radio and television components" as meaning, among other things, chassis and cabinets. Regulations Sec. 40.4142–1 (TD6372, filed 4–21–59) defines the terms "chassis" and "cabinets" as follows:

"(c) Definitions (1) Chassis. The term "chassis" includes any assembly of parts into circuits for the reception and conversion of radio or television signals into impulses suitable for the reproduction of (i) sound by a radio receiving set, or (ii) a picture, either with or without its associated sound, by a television receiving set.

"(2) Cabinets. The term "cabinets" includes containers suitable for housing a chassis for any radio or television receiving set, phonograph, or any combination of the foregoing.

A sales tax ruling (ST 629, CB June 1933, p. 398), issued before the advent of television, defined chassis as follows: "Ordinarily the combination of tuning unit, amplifier, and powerpack is considered a chassis, but in some instances a chassis includes all of the parts of a radio receiving set except the cabinet." Another ruling (Rev. Rul. 58–387, CB1958–2, p. 797) states that cabinets for speakers are not subject to the manufacturers tax on radio and television components.

The above are the basis for what I believe to be the general understanding of the taxability of cabinets under Sections 4141 and 4142 prior to the issuance of Rev. Rul. 62–62. That is, that a cabinet used to enclose a "chassis" is subject to the manufacturers excise tax, but that a cabinet or enclosure which might be purchased by a consumer separate and apart from the purchase of a radio or television receiving set and used for whatever purpose he may wish is not subject to the excise tax.

The application of revenue ruling 62–62 results in subjecting to excise tax two cabinets for one receiving set, the cabinet enclosing the chassis of a table model receiving set and an auxiliary cabinet which might be used to contain the table model set which is in itself complete as to all component parts, including a cabinet.

You asked about the application of the excise tax to sales of cabinets by a furniture manufacturer to a television manufacturer where the cabinets are designed and used to enclose receiving sets. Code section 4220 and regulation 40.4220 provide that no tax shall be imposed on sales by the manufacturer of radio and television components sold for use by the purchaser as material in the manufacture or production of, or as a component part of, another article subject to the tax. Thus, in such cases, a television cabinet is subjected to tax only once when it is sold as part of the completed set.

Since Senators BYRD and CARLSON are also interested in this matter, I am sending them a copy of this letter in the hope it will be of some value to them.

I should like to express my appreciation of the cordial welcome I received from you and the members of your staff on my visit.

Yours sincerely,

J. H. EVERINGTON.

Mr. ERVIN. Mr. President, it would be intolerable for some of the general language of this ruling to stand. This is true because that would mean that an excise tax would be imposed upon every cabinet which could be used in any event to contain a radio receiving set or a television receiving set, even though it was not manufactured for that purpose and even though it may never be used for that purpose.

So it seems to me that as a matter of economic justice, as well as to carry out the original intent of Congress, my amendment should be adopted.

I realize that we are nearing the June 30 deadline in respect to the taxes covered by this bill. I also realize that the Finance Committee has had a herculean task resting upon its shoulders throughout this session, and that it has been compelled of late to devote all its attention to bills, like the present one, which must be passed before midnight on Saturday of this week.

I also understand that, owing to the lateness of the hour, the Finance Committee has agreed to oppose all amendments to the bill so as to insure that it is enacted before the June 30 deadline.

When this matter was first called to my attention, I communicated my misgivings about the possible interpretation of the ruling to the Finance Committee, which I know is conscious of the problems it raises.

I would not want my amendment to suffer defeat simply because the pending bill has to be enacted by Saturday night and the Senate might feel that the adoption of my amendment might provoke controversy in the conference committee and prevent the meeting of the deadline.

My amendment is meritorious. Its provisions must be incorporated in the Internal Revenue Code if the true intent of Congress is to prevail and economic justice is to be done.

I realize that it will be somewhat difficult for me to secure a favorable vote on my amendment at this time because of the procedural difficulties arising out of the June 30 deadline. I also realize that a defeat of my amendment at this time might cause me some disadvantage in seeking an enactment of its provisions in the future.

I wish to ask the able and distinguished chairman of the Finance Committee if he would care to make any comments.

Mr. BYRD of Virginia. Mr. President, the Senator from Virginia is familiar with the amendment. I think it has a great deal of merit. It has been very ably outlined and advocated by the Senator from North Carolina. I will assure the Senator that we will make a study of it.

As he knows, the amendment is now before the House Ways and Means Committee. After a study by the staff, if the committee approves it, it can be attached to another revenue measure; but, if possible, I would like not to encumber this particular measure with any other amendment because these taxes expire on midnight next Saturday.

If the Senator will be satisfied, I will assure him that the staff will make a study of it, and if after study the committee approves it, it can be attached to another of the revenue bills that we take up from time to time. I think the amendment has great merit to it.

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. ERVIN. I yield.

Mr. CARLSON. In view of the statement of the distinguished Senator from Virginia, chairman of the Senate Finance Committee I sincerely hope the distinguished Senator from North Carolina will withdraw his amendment, although I think it has much merit. Had we had an opportunity in committee to consider it, I have no doubt we would have recommended that it be approved. I have heard discussions about it. I think the amendment has merit. On the basis of the chairman's statement, I sincerely hope the Senator will withdraw the amendment.

Mr. ERVIN. I assume, on the basis of the chairman's statement, it would be wise for me to withdraw my amendment and put it in the form of a bill, and then have it referred to the Finance Committee.

Mr. CARLSON. As one member of the Finance Committee, I assure the Senator it will be given consideration at some time, at least.

Mr. ERVIN. I certainly appreciate the statements by the able and distinguished chairman of the Finance Committee and by the able and distinguished Senator from Kansas.

The Finance Committee has thus far had no adequate opportunity to study the matter. The ruling was handed

down late in April, and it was some weeks before the industry became acquainted with the ruling and the threat it presented. I do not think I heard about the ruling until the middle of June. At that time I called it to the attention of the Finance Committee, which has had no opportunity to give consideration to it because the committee had to give priority to bills which had to be passed by midnight next Saturday.

On the assurance of the able and distinguished Senator from Virginia and the able and distinguished Senator from Kansas that the Finance Committee will study the matter, I withdraw my amendment. I thank them for their assurances.

The PRESIDING OFFICER. The bill is open to amendment.

Mr. JAVITS. Mr. President, there has been some discussion in contemplation of an amendment to this bill to reduce the rate of corporate taxes. It is to that subject that I would like to direct my attention, and to discuss the reasons for not doing so at this time and what should be done in its place.

I shall be joining with my colleague from New York [Mr. KEATING] in an amendment which relates to the tax on persons transported by railroads, but that will come in a few minutes to a particular part of the bill. Hence, I hope the Senate will indulge me if I address myself to the major portion of the bill.

We are now having much discussion about tax policy based on the stock market break, and it has been said, even by some Members on this floor, that there ought to be a tax cut. During this time individual Members of the minority cannot stand by, as I cannot, especially since I come from the seat of the break—New York City—and allow the bill to go through, increasing the corporate tax rate for another year, up to July 1, 1963, without some expression on this matter.

The American economic machine is not unlike a powerful and precision-built automobile engine. It will take some rough terrain and rough driving. The past has shown that it can, and that it will be able to do so in the future. But it does not mean that it has been constructed to withstand hot-rod driving on the New Frontier. We have to devote ourselves to the problem of a supercharged deficit budget. A deficit which already is estimated at $7 billion cannot be substituted for the kind of regular oil change represented by tax revision, in the interest of a better business climate and the competitive role we face in the future.

In this connection, I would like to offer a tax program which can lubricate the economic engine and give the American passengers some confidence that they will reach their goal across the difficult stretch of road which seems to be ahead.

It seems to me that a responsible tax program must be placed before the Congress and the American people now, rather than defer it to a later date. Even if not all of it can be enacted this year, widespread discussion and consideration of such a program can give us a clear view of what is ahead on taxes.

The sole thesis I would like to put before the Senate is that a clear view ahead on taxes is one of the prime requisites for the restoration of business confidence.

Business plans and consumer plans on which an acceleration of current economic activity depends so much are made on the basis of future expectations. With the possible exception of the lowest income brackets, spending plans will not be influenced to a very great degree by tax rates becoming effective for the near term, but they could be influenced very materially by a tax situation for business coming up in January 1963.

I therefore suggest the following tax program, which relates: first, to the pending bill which is still in the Finance Committee and which came from the House; and, second, to the new bill which the President says he is going to send to Congress, but which he has not sent yet, for a new tax program after January 1, 1963.

First, as to the bill now pending in the Finance Committee, I think it would have a salutary effect upon the whole American business climate if the administration faced reality and stripped the bill down to relatively noncontroversial provisions, in order to clear the way for its passage as a revenue producing measure.

That would mean dropping the provision for withholding on dividend and interest income. This provision is impractical. It throws a net of inconvenience over too many for too small a gain, and may well prove unnecessary in view of the automatic data processing program being instituted by the Internal Revenue Service. A great deal can be accomplished by questions on income tax returns, as I and others have suggested. It is an unnecessary burden on American savers and investors. The administration knows it. It knows there is a very small chance to pass it, and it should withdraw it in order to improve the present climate.

Second, the administration should drop the provision for current taxation of retained earnings of United States-owned foreign subsidiaries, if they are being retained for legitimate business purposes. This provision would imperil our international balance of payments and export position, and would eventually result in further revenue losses.

I have suggested as a substitute for the ill-advised provision on foreign subsidiaries which came to us from the House of Representatives a provision relating to the unreasonable accumulation of profits, and a shifting of the burden of proof on that provision, which is now in the law for domestic corporations, from the Government to the taxpayer, thereby doing everything we wish to do about tax havens without running the terrible risks the present provision encompasses in terms of a dampening down of American investment overseas.

Third, the administration should drop the provision for investment credits. I should make clear that I like that provision and was prepared to vote for it. But, Mr. President, the business community as a whole does not like it. The business community prefers a modernization of depreciation schedules and depreciation practices and the basis for depreciation in the law. The administration says it will do that now, within a month. So, Mr. President, it seems unwise to persist in pressing for a provision for the benefit of the business community which the business community does not wish to have. I am now convinced it would help to restore business confidence if the administration should withdraw it.

With those three provisions stripped from the bill, relieving the Committee on Finance of the struggle with them in which it is now engaged, with very little hope of anything happening, as we all know, the bill would produce $500 million to $560 million a year through the tightening of provisions on mutual savings and loan institutions, entertainment expenses, depreciable personal property, mutual fire and casualty cooperatives, other cooperatives, the so-called gross-up on the taxation of foreign investments, and other matters.

This would be a substantial revenue gain. It should not be jeopardized by tying up the tax bill in the Finance Committee, where it is now tied up.

So much for that part of the program, which relates to the pending situation.

The President ought to send to Congress an incentive tax program now. I respectfully submit that the items which I shall discuss ought to be its elements. It ought to take effect as of January 1, 1963, to give to business a certainty to which to look forward.

First, it ought to extend substantial relief to low-income taxpayers, using as a possible benchmark the fact that taxable returns showing annual incomes of less than $2,000 are responsible for only about $500 million in U.S. revenues. Such a revenue loss would be made up by enactment of those revenue-producing provisions of the tax bill now in the Senate Finance Committee to which I have referred.

Mr. President, in the light of the present cost of living it seems to me very unwise to continue to impose an income tax on taxpayers who have taxable income of less than $2,000 a year.

Second, there should be a statutory base under the revised depreciation schedules and guidelines to be published by the Treasury within the next 2 weeks. Such congressional action must await hearings on and an evaluation of these schedules, but should be planned as a strengthening element for business confidence, with respect to undertaking expenditures for new equipment.

Third, there should be a reduction of the overall limitation on individual income taxes from the present high limitation of 87 percent. This would be a managerial incentive. One of our colleagues, the Senator from Delaware [Mr. WILLIAMS], suggested it should be brought down to 60 percent. This would result in a revenue loss of about $130 million a year, after the second year. I

am not subscribing to the 60 percent figure, but something in that range is desirable, again by way of inspiring business confidence and encouraging entrepreneurial initiative.

Fourth, Mr. President, there should be a reduction of the depletion allowance for oil and gas from the present level of 27½ percent, bringing it down to 20 percent. This could be done over a 3-year period, as is proposed in the bill offered by the Senator from Delaware [Mr. WILLIAMS] and other Senators. This would result in a revenue gain of about $250 million annually after the second year, thus accounting for about $120 million annually in additional revenues after subtraction of the revenue decrease attributable to the trimming of the ultra-high tax on the higher income brackets, by way of entrepreneurial incentive which I have described.

Fifth and finally, there should be a restoration of the effective normal tax rate on corporate income to 25 percent, the rate which would be effective if we did not pass the bill today, with a 5 percent additional surtax on income above $500,000 for corporations per year. It seems to me, Mr. President, if we did that we would be looking after the people who presently have incomes of less than $25,000, who will be charged under the terms of the bill with the extra 5 percent, which does not seem wise with respect to small business, or what might even be called tiny business. Also, it would help those who are really engaged in small business, who have incomes under $500,000 a year, by reducing the corporate tax so far as they were concerned to 47 percent for earnings above $25,000.

If this were done as proposed by the Senator from Tennessee [Mr. GORE] the estimated revenue loss is $735 million a year.

As I have said before, I have given consideration to the idea of supporting a cut now in the bill before the Senate. But, Mr. President, I have decided not to do so, because such a move, in my view, is properly a part of an an overall incentive program, as to which we should have a balancing of what is lost with what is gained.

If actions are taken on a piecemeal basis now, it seems to me that this would result irresponsibly in a material reduction of revenue in the face of an already large budget deficit, without providing the assured incentive effect which I think is absolutely essential if we are to do that—and I recommend that we do—as a part of a larger incentive tax program.

An incentive tax program, of course, has an order of priorities both in point of need and in point of time. It appears obvious that the tax bill before the Committee on Finance should be cleared first, and that provision must be made to increase the purchasing ability of the lowest income groups, and to do the other things definitely in contemplation, as a balanced incentive program, effective January 1, 1963. Such a program should be presented to the Congress now and not deferred until some later date, because this is when it can do the most good.

It should be pointed out in the strongest possible terms that the program which I have outlined does not subscribe to the theory of raising demand through across-the-board tax cuts and deficit spending, nor does it rely upon the so-called trickle-down theory by which increased benefits to wealthy persons are supposed to provide eventual help to those who are on lower income levels.

Mr. President, the program I propose would provide a balanced incentive for all elements of the population, as well as for the corporate elements.

It must be made clear, Mr. President, that a "quickie" across-the-board tax cut is unrelated to the immediate problem of restoring the confidence which admittedly—and I think we have to say "admittedly"—has been seriously impaired by the stock market break.

We are not facing a recession situation, but rather a situation which may lead to a recession. Therefore, the "quickie" across-the-board tax cut would not do what must be done.

I recognize fully that an incentive tax program must be directly related to the need for responsibility in respect to appropriations and Government expenditures. This is a problem which arises on each authorization and appropriation measure. It is one of which the administration must take cognizance in connection with any tax incentive program.

I do not believe, however, in an across-the-board appropriations cut without regard to what is being cut and why. Therefore, I do not feel the problem can be dealt with in a tax incentive bill, except to state, as I do now, that a stricter and more responsible policy in respect to appropriations and authorizations for appropriations and expenditures must be accepted by the administration as an essential corollary of a tax incentive program.

I close, Mr. President, by stating that the program which I propose is designed, first, to enable the deprived income groups better to meet their basic needs as rapidly as possible, thereby also helping to increase the effective demand for food, clothing, and fiber products, most of which are in excess supply at current prices, but which have also relatively narrow price flexibility.

This kind of increase in demand is less likely to result in inflationary pressures than an across-the-board stimulation of demand at current price levels, which would tend to stabilize itself finally in slightly increased demand at higher price levels.

That is the first point. We should take advantage of greater demand and bring on stable price levels.

Secondly, this program is designed to enable business to plan for and actually set the machinery of increased orders in motion for the modernization and diversification of plant, equipment, and marketing. An important element of this point is the sharpening of the individual's incentive to make profits and not have them swallowed up by the Government, after they reach a fairly high figure.

The economic and psychological readjustment inherent in the stock market decline can become the sound base for greatly accelerated economic growth. But it can do so only if we provide the room for such growth.

And very importantly—and it is the whole point of my statement today—we must have a clear view of what is ahead in taxes, so that we will know that taxes are geared to the challenges and opportunities of our times.

I therefore urge, first, that the administration abandon what is untenable in the pending tax bill and thereby make it possible to pass the bill. We would increase our revenue take by over $500 million a year.

Second, I urge that not later, but now, he send us an incentive tax program so that the Congress may make its contribution to the restoration of confidence in the minds of the American business community. Congress has a big and responsible role to play. It can do it if it has something to sink its teeth in.

I close by emphasizing that when I use the term "business," I mean not only business management or security owners—though today they number 14 to 16 million—but also some 80 million people having savings bank accounts, life insurance policies, or interest in pension and welfare funds. Our whole economy is built on the structure of values represented by the stock exchange and its affiliated security exchanges. I therefore emphasize that business consists not only of managers and investors, but also the workers who depend upon the business structure for their livelihood. It includes also the farmer and the consumer. It is in that sense which I have made the proposal.

Mr. ALLOTT. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. ALLOTT. The distinguished Senator from New York has made a great, sound, and commonsense contribution to the thinking of our country today. We are all aware of our industrial and financial picture. Regardless of what newspaper or magazine we pick up, all we read about the industrial outlook for the United States today is gloom and doom. That attitude may be very hard for the administration to understand. But when we hear some of the statements made by advisers to the President about wage and price controls and regulation of machinery of economics, it is not hard to understand. As Arthur Schlessinger said in New Delhi last February, the Government should even regulate the social activities of the people of our country.

All those statements, together with the incidents which surrounded the steel price increase—regardless of whether one believes the steel industry was entitled to such an increase—the flattening of that raise and shoving the steel companies to the wall on the price raise through the action of the President, through the activities of the Department

of Justice, through the activities of the Defense Department, caused not only the steel company involved, but all other steel companies and every other businessman in the United States to look upon the Government with a great deal of apprehension—and I think rightfully so.

I therefore believe that in his proposals the distinguished Senator from New York has pointed out the course the administration might follow which would cure most of the mistakes made in the past 2 or 3 months.

I am speaking not only about big business, but also the man who owns a small drugstore or grocery store. I am talking about the man who owns a little garage or the man who owns a filling station. More than anything else, the people of our country today must be assured that they will be able to continue business under a free enterprise system. They want to be assured that there will be stability in taxation.

Through the Secretary of the Treasury, the President has recently indicated that certain reforms would be made. I agree completely with the distinguished Senator from New York in the suggestions he has made. If this Congress should adjourn without acting on a measure of tax reform and relief, we would lose all the momentum we have gained and would have to start anew on January 1, 2, or 3, when Congress convenes next year. The suggestions of the Senator from New York should be acted on. If we act with responsibility on a new tax bill, we will not only offer a lower rate, but we will also offer new realistic depreciation schedules instead of the 7 or 8 percent investment credit, as desired by the administration.

That could be partially done by the Internal Revenue Service now, through an immediate revision in depreciation schedules but they seem unwilling to take this step. If the Internal Revenue Service would do so, it could in effect say to business that this revision of depreciation schedules will be the pattern for next year. Then we would not have to wait until business had declined during the 4 months after adjournment, but we would see a gradual increase. We would witness a shot in the arm and a flow of blood in our business life the like of which we have not seen in years.

That is what the business people want. They want to be assured. The measures suggested would do so.

The distinguished Senator from New York has made a very great contribution to practical commonsense thinking. If we wished to stop all the psychological sliding that is occurring in the business world in our country today—not alone on the stock market but in every small and large business in the United States—we could do nothing better than to offer a program of tax reform such as has been suggested, adding to it new and realistic depreciation schedules which would enable us to compete with foreign manufacturers, which we, in many instances, cannot do now. Such a program would start a reinvestment of capital in the United States which we could realize before the first of next year and the kind of business activity and gross national product that everyone was forecasting in this country on the first of January. I think the opportunity is present. I think a great potential exists. But business must be reassured. Those in business must know the course for the future; and the Senator has very adequately pointed that out.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. SMATHERS. I congratulate the able Senator from New York on his presentation. I thoroughly agree with many of the recommendations he has made. I have made similar statements on previous occasions.

The question I wish to ask is as follows: As I understood, the Senator said that we should propose a so-called tax reform bill such as the one which is now pending before the Committee on Finance, with certain modifications. He would strike out provisions that apparently would not be passed, or over which there is a great deal of controversy. That would bring in approximately $500 million of additional revenue.

The second recommendation of the Senator, as I understand it, was that the President should send to Congress a tax reduction proposal with respect to individual and corporation taxes. Is the Senator in favor of that particular program even though it might result in a greater deficit than our country now has? Does the Senator recognize that if the recommendations which he has made were followed, there would be no possible way to make up the amount of lost income directly until the economy speeded up, and that next year there would be even a bigger deficit than the deficit this year?

Mr. JAVITS. In the plan which I have proposed, the deficit which would result would be not considerable. Rather, let me say that it would not increase the deficit. I say that for this reason. If we pass the pending tax bill without the disputed provisions to which I have referred, it will result in bringing in about $500 million in revenue. If we balance out the rest of this program as I have suggested, what I propose will, generally speaking, perhaps with a year's lag, balance itself out. Of course, one part or another may fall by the wayside; for example, I have suggested a rather moderate reduction in the oil depletion allowance. The reason for my suggestion is that I have a theory. I am grateful to the Senator from Colorado [Mr. ALLOTT] and to the Senator from Florida [Mr. SMATHERS] for enabling me to pinpoint my belief, or my theory. My theory is that what is required is not an increase in revenue or a diminution in it. What is required is certainty, and also the removal from the tax structure of what modern times demonstrate to be certain inequities of a major economic kind.

Mr. SMATHERS. I agree. The question is, if we get to a discussion of the subject, whether we are certain what reductions we are going to have, even though it might have the effect, at least temporarily, of bringing about a greater deficit.

Mr. JAVITS. I may say to the Senator from Florida that it will not be a greater deficit, if any at all. The way we figure it, there will be no additional deficit, but if there is, it will not be appreciable. I am sure that it will be unappreciable, and will not be a major factor.

Mr. SMATHERS. Let us suppose that we cannot pass a tax reduction bill and at the same time close a sufficient number of loopholes, to use the vernacular, that we would have a balanced program, when the income from other sources would more than make up for the reductions. Is the Senator of the opinion that the business psychology is such that it would still be advantageous to have a reduction even though there might be some increase in the deficit?

Mr. JAVITS. I would say that that would be a question of magnitude. If we run to a few hundred million dollars more in a deficit, it would be worth it. If we ran to a billion dollars in deficit, we would get to the point of no return. With a $78 billion tax take from these various taxes, I would say even a modest increase in the deficit, if forced upon us by the exigencies of the situation, would be worthwhile, considering what we would have accomplished by it.

I would not be prepared to subscribe to anything that would not represent the restoration of confidence with a balanced approach, within reason, as I have described.

Mr. SMATHERS. About a billion dollars?

Mr. JAVITS. Under that.

Mr. SMATHERS. A billion dollars or less?

Mr. JAVITS. Under a billion dollars. That would be my general judgment.

Mr. SMATHERS. I thank the Senator.

Mr. JAVITS. I thank the Senator.

Mr. AIKEN. Mr. President, subchapter (c) of the bill, with relation to the transportation of persons by air, prompts me to make a few remarks about the air service today, which is not provided to the rural areas of America. I am very much disturbed by the trend to isolate the rural areas of America so far as air service is concerned. I am even more disturbed by the readiness with which CAB permits the suspension of air service to areas which have almost no other way of getting in and out so far as air transportation is concerned, but which produce wealth, and where transportation service is of great importance to the people who live there.

I recall that when the airlines started a little over 25 years ago, they got their start in these country areas. They built up the economy of the whole country by serving rural areas, where air service was of such great importance. It appears now that we have reached a time when air service is considered a convenience for the big cities only. It seems to me that most of our airlines are not very anxious to serve an area unless there are a million or so persons living in the area, and they can fly from 300 to 500 or a thousand miles on a nonstop flight.

The airlines are in trouble financially. What got them into that condition?

Have they priced themselves out of the market? Were they too anxious to pay big salaries to their officials? Were the pilots too anxious for big pay which was not warranted? Each will have to answer that question to himself. I do believe, however, that greed has played a part in bringing the airlines to the financial situation in which they are today.

Certainly, if we are to believe the reports which have come to me, the stocks of airlines are not considered very good property, for the reason that their earnings are gobbled up by the operators.

I remember a little more than 25 years ago helping to build up some of these air systems. I worked with Amelia Earhart and Paul Collins when they were starting with, I think, a 12-passenger Boeing plane. That was the start of Northeast Airlines. Then they developed the use of the DC–2 and the DC–3. Finally, they became what could have been a prosperous and productive airline system. It certainly would have been—if I may paraphrase Gray—had not the later owners "let ambition mock their useful toil" and had they not gone into the big time flying which they were not in a position to play with.

These same airlines, which were so ready to serve rural areas when they needed business from these areas, became very ingenious at discouraging travel on flights in those areas which they did not care to serve. I would point out, as an example, the situation in northeastern Vermont, where we have a fine airport at Newport, Vt., serving all of northeastern Vermont, some parts of northern New Hampshire, and a considerable part of lower Quebec.

Six years ago CAB, which apparently looked at things differently then than it does now, directed Northeast Airlines to fly into Newport once a day during the 3 summer months from the 15th of June to the 15th of September. The airline even at that time was reluctant to do it, but they went in under the direction of CAB. It is my understanding that if it had been found that they did not meet their costs, a subsidy would have been provided. They had about 1,100 passengers in and out during the first year, 1,200 the next year, and 1,300 the following year. I was given to understand that 1,300 passengers, or about 6½ a day each way on a single flight to New York and intermediate cities, was enough to put the airline in the black.

Then they embarked upon a program of discouraging that business. Instead of flying directly from New York to Montpelier and Newport, and other places en route, they decided to fly from Newport to Montpelier and Boston and thence to New York. People who wanted to fly to New York did not want to go to Boston, because they could not always get a plane to New York; particularly they did not want to stay overnight in Boston. The airline discouraged some of that business from Newport to New York that way.

Another method they had was of canceling flights using the old reliable excuse of "mechanical difficulties" when a large number of passengers were waiting to take the plane.

As a result, during the last 3 years, they have made it impossible for the people in that area, which has no other service, rail or air, to depend upon the Northeast system.

The final blow came this month when they were to start the flight into Newport on June 15. Only 2 or 3 days before June 15 CAB gave them permission to suspend, which they did. They suspended even before they got started.

They want to serve only the big cities. Yet what is being done is in complete violation of the National Security Act and the National Production Act, which provide that it is the policy of the United States to decentralize industry and population. Nevertheless, with the consent of the CAB, more and more airlines are serving only the big cities of the country. It seems to me that instead of reducing the transportation tax on air travel, it might be better if the tax had been retained and the income therefrom used as a subsidy to provide air service for those areas which have hardly any other form of transportation at the present time. By discouraging the development of the rural areas, where most of the wealth of the country is created, we are contributing to the bringing on of a depression in this country, in the cities as well as in the areas where the air service is being suspended. I am afraid the New Frontier has a big city complex. I hope that is not true, but I fear that it is, because the CAB has had such a change of heart in only the last 2 years that instead of being the defender of the public interest, it at times appears almost to be the Washington representative of the airlines.

Mr. President, I hope this situation may be changed. I believe that the CAB should put the public welfare ahead of the desires of the airlines. Certainly we shall be contributing to a depression in this country if we seek to eliminate transportation to the rural areas of America.

Mr. JAVITS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SMATHERS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

## JURISDICTIONAL STRIKE OF AIRLINE ENGINEERS

Mr. MONRONEY. Mr. President, the current jurisdictional strike of the airline engineers has shut down completely one of America's largest airlines and is threatening to shut down the worldwide system of Pan American Airlines.

After a recordbreaking mediation attempt by Secretary of Labor Goldberg, working with TWA Airlines and the officials of the Airline Engineers and Airline Pilots Unions, an agreement was reached that was declared to be satisfactory in settling the longstanding dispute over jurisdictional matters in the cockpits of the airliners.

However, within hours, local unions were in disagreement with the settlement in the TWA case. Consequently, Eastern Airlines was struck, and Pan American Airlines was threatened with a strike as soon as a court-imposed injunction expired.

This irresponsibility and total disregard of the great inconvenience to the American traveling public and the threat to our national and international air operations does not involve any genuine conflict over wages, hours, and working conditions of the engineers with the employing airlines. It is strictly a jurisdictional issue between two rival unions. The mediation board has found, and the courts have sustained the finding, that the engineers represent no separate craft requiring separate unions and separate job requirements.

The transition to jets has created an entirely new problem in the cockpit, and properly requires the man in the engineer's seat to be qualified not only as an airline engineer, but also as a pilot.

This new strike crisis is based on an entirely obsolete contract requirement that an airline engineer must have had at least 2 years' experience as a mechanic. Thus, while the engineer's job is to a great extent on a jet aircraft, his past experience in older reciprocating motors is the prime gage of his ability to deal with the operation of jet aircraft.

Whether the background of the engineer is a mechanic's job in an overhaul depot or as a pilot, he should be required, and would be required, to qualify, under proper requirements of experience and ability, to fill the flight engineer's seat. The extra guarantee for a third pilot in the cockpit, who can do either job and fill in through his pilot training on any other demands, is a very important element in the interest of safety. For planes which fly so fast and are so heavy, there should be the added assurance of a third pilot who is also qualified as a flight engineer.

The settlement made in the TWA case guaranteed seniority rights and also guaranteed protection of minority representation in any merger of the two unions. It guaranteed jobs for those who were able to qualify; and for those who still could not qualify for other jobs, it provided for satisfactory severance pay.

Despite all these things, which were properly taken into consideration in connection with the human rights and the human values involved, we now find two recalcitrant unions, representing Eastern Air Lines engineers and Pan American Airways engineers, throwing the whole course of national air transport, and perhaps also that of international air transport, into a stall.

It is high time that the personal vanity of various local union officials is not allowed to disrupt national and international transportation of hundreds of thousands of air travelers and to render unemployed over long periods of time tens of thousands of their fellow workers

who have no quarrel or differences with the employing airlines.

My staff is now working on the draft of a bill to give finality to this long-standing matter of jurisdiction between unions in airline operations. If one small segment of this great industry, now guaranteed its proper rights in the TWA agreement, and assured of seniority rights, as well as protection of minority representation in any merger of the two unions, persists in punishing the traveling public and the other airline workers, as well as the companies, legislation to deal with this irresponsible attitude will be required of Congress at this session.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD, in connection with my remarks, an editorial published today in the New York Times.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From the New York Times, June 25, 1962]

FOR AIRLINE LABOR PEACE

The strike of flight engineers against Eastern Airlines is in willful disregard of the public interest. It makes air travelers the victims of an interunion conflict, in which a sensible settlement formula already has evolved from the marathon negotiations Secretary of Labor Goldberg conducted in the strike threat at Trans World Airlines. The strikers spurn the assurances of President Kennedy and George Meany, head of the AFL–CIO that the best interests of the engineers themselves will be served by the proposed agreement. Instead, they have embarked on a course that may speed the elimination of both their craft and their union.

This is even more sure to be the upshot if the *internal differences* in the Flight Engineers International Association now lead to rank-and-file overthrow of the formula their negotiators approved at TWA. Ratification will not only keep TWA planes flying but help quell the revolt against the pact on Eastern and Pan American World Airways. Respect for trade union democracy is bound to suffer if the vote is adverse and the engineers plunge still deeper down a road the President has properly called "the height of irresponsibility."

In their bitter battle with the airline pilots—a battle that began long before the introduction of jets—the engineers have often had reason to feel aggrieved against both the pilots and the employers. Now the opportunity for a just solution is at hand. If it is rejected, the administration has demonstrated that it will be as resolute in standing for the national interest as it was in the fight over higher steel prices. The engineers as well as the country will benefit if another such test is avoided.

Mr. MONRONEY. Mr. President, I desire to compliment the distinguished acting chairman of the Committee on Labor and Public Welfare, and I pledge him my support in helping work out sound and reasonable legislation. I hope it will be limited strictly to the problems of airline operation, so we can pass the bill at this session, and not have to face such recurring strikes in connection with jurisdictional matters, which have been arising again and again over the past 4 years.

Mr. MORSE. Mr. President, will the Senator from Oklahoma yield?

Mr. MONRONEY. I am happy to yield.

Mr. MORSE. I wish to express my appreciation to the Senator from Oklahoma for the comments he has made concerning me; and I compliment him for the views he has expressed here. I certainly wish to associate myself with them.

I believe it is well known to Senators that the Senator from Oklahoma [Mr. MONRONEY] and I have been in consultation with the Secretary of Labor—Mr. Goldberg—and have made very clear to him that we hope he will be able to resolve the pending dispute between the flight engineers and Pan American Airways and Eastern Air Lines along the sound and fair and just lines on which he settled the TWA controversy, last week.

I am sure it is not news to any Member of the Senate, or at least it should not be, that the Senator from Oklahoma and I stand ready to introduce in the Senate whatever legislation may be decided to be necessary in order to protect the public interest against the flight engineers who are conducting what in my judgment is an irresponsible strike on jurisdictional grounds.

Mr. MONRONEY. I thank the able Senator from Oregon for his comments.

Mr. RANDOLPH. Mr. President, will the Senator from Oklahoma yield?

Mr. MONRONEY. I yield.

Mr. RANDOLPH. I wish to make only a brief statement at this time, rather than labor the point, because it has been exceedingly well made by both the capable Senators who have already spoken. However, I seek the privilege of offering my cooperation in facing and solving this pressing problem in an affirmative action. I deem it to be a responsibility to join with the Senator from Oregon and the Senator from Oklahoma, and perhaps other Senators, in a positive and all-out program of immediate attention on this problem. There will be no recrimination, in my opinion, in bringing into being equity for the parties at issue. More importantly, the national good and the public welfare must be met.

Mr. MONRONEY. Mr. President, I appreciate the comments of the Senator from West Virginia, who, himself, has been a great leader in aviation, and knows intimately these problems, and knows how disastrous can be the results of such quarrels in the cockpits of American air transport.

Mr. MORSE. Mr. President, will the Senator from Oklahoma yield?

Mr. MONRONEY. I yield.

Mr. MORSE. I wish to say that the statement made just now by the Senator from West Virginia is symbolic, because although he is one of the best friends which free labor has here in the Senate, yet he is a friend of free labor in connection with the legitimate rights of free labor; and whenever any labor group follows a course of action which jeopardizes the public interest and seeks to put a selfish interest of labor above the public welfare, then the Senator from West Virginia can be counted upon to follow the statesmanlike course of action which he has just enunciated.

Certainly, Mr. President, in connection with our responsibility as Members of the Senate, whenever any economic group attempts to exercise the license of placing its selfish interests above the welfare of the people as a whole, then we have the duty, under our oath, to see to it that the necessary checks and safeguards are placed on the statute books, in order to protect the public interest.

Mr. MONRONEY. I thank the Senator from Oregon for that very important and cogent observation.

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## RESOLUTIONS ADOPTED BY CLUB 100 (100TH INFANTRY BATTALION)

Mr. FONG. Mr. President, on June 2 this year, Club 100, composed of World War II veterans of Hawaii's famous 100th Infantry Battalion, met in State convention in Honolulu.

By way of explanation, Mr. President, these are veterans of some of the bitterest and bloodiest campaigns of World War II from North Africa to Italy, serving with distinction at Salerno, Cassino, and Anzio, to mention but a few of the battlefields.

In these hard-fought engagements, the 100th Infantry Division soon established a reputation for outmarching and outworking most troops and earned worldwide fame for exploits of courage and daring and tenacity. All of us in Hawaii are immensely proud of the 100th Infantry Battalion.

Because of their background and experience, I believe their counsel and recommendations deserve special attention and, therefore, Mr. President, I am bringing to the attention of the Senate four resolutions adopted by Club 100 this month; one, opposing the Defense Department's proposed reduction of Army National Guard units; a second, endorsing Federal and State Government employment agencies for efforts to serve employment needs of veterans; a third, urging consideration of the impact on Hawaii of a defense appropriations bill requirement that 35 percent of Navy ship repair and conversion go to private shipyards; and a fourth, asking Federal authority to treat veterans with nonservice-connected disabilities in private hospitals on various islands of Hawaii.

Recent action taken by the Senate of the United States attests to the soundness of Club 100's stand on the National Guard and ship repair and conversion. In regard to the National Guard, the Senate approved sufficient funds to provide for an end-year strength of 400,000 and included language establishing that force level and stating that in any reorganization or realinement for modernization the number and geographical location of units shall be maintained insofar as practicable.

In regard to ship repair and conversion, the Senate provided that the President may, if in the public interest, direct ship repair and conversion to be done in Navy or private shipyards at his discretion.

As for the fourth resolution adopted by Club 100, I am pleased to report that the Senate Subcommittee on Veterans Affairs on May 22 approved a bill to give the Veterans' Administration authority to contract with private hospitals on

neighbor islands for medical care of veterans with non-service-connected disabilities. The bill is now pending before the full Senate Labor and Public Welfare Committee.

Mr. President, I ask that the text of these resolutions be printed in the RECORD at this point.

There being no objection, the resolutions were ordered to be printed in the RECORD, as follows:

RESOLUTIONS

Whereas the Department of Defense has strongly indicated that certain Engineer units within the various State National Guard components will be eliminated; and

Whereas definitely Hawaii National Guard's effectiveness will be reduced with the elimination of its Engineer units; and

Whereas Hawaii, situated in a location where total preparedness is constantly necessary and the reduction of National Guard units will definitely weaken its position in case of enemy attack; and

Whereas members of this Club 100, veterans of World War II, who underwent the rigors of warfare during World War II, are definitely against any reduction of military units which would weaken the defenses of the State: Now, therefore, be it

*Resolved by the State convention of Club 100, held on June 2, 1962,* That this veterans organization is opposed to any action which would reduce the effectiveness of the Hawaii National Guard; and be it further

*Resolved,* That a copy of this resolution be transmitted to Maj. Gen. Fred W. Makinney, adjutant general, Hawaii National Guard; Senator Hiram L. Fong; Senator Oren E. Long; Congressman Daniel K. Inouye; William F. Quinn, Governor of Hawaii; James K. Kealoha, Lieutenant Governor of Hawaii; Senator William H. Hill, president of the Hawaii Senate, and Representative Elmer F. Cravalho, speaker of the Hawaii House of Representatives.

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Whereas it has been the Club 100's long-established policy to promote maximum employment for all veterans; and

Whereas the Servicemen's Readjustment Act of 1944, as amended (GI bill), provides by law the establishment of facilities for an adequate counseling and placement service for all veterans; and

Whereas the U.S. Department of Labor, in cooperation with the State public employment offices, has the legal responsibilities to establish policies for carrying out the provisions of the GI bill; and

Whereas the U.S. Department of Labor, through the Bureau of Employment Security, its State employment services, and the Veterans Employment Service, are concerned in providing adequate counseling, placement, and other services for all veterans with special services to the disabled; Now, therefore, be it

*Resolved* That the Club 100, at its regular board of directors meeting held in Honolulu, Hawaii, on June 13, 1962, endorse and pledge full support to the Bureau of Employment Security, its U.S. Employment Service, the Veterans Employment Service, and State employment services in their desire to better service the employment needs of veterans; and be it further

*Resolved,* That copies of this resolution be transmitted to Edward L. Omohundro, chief, Veterans Employment Service; E. Leigh Stevens, administrator, Hawaii State Employment Service; Senator Hiram L. Fong; Senator Oren E. Long; Congressman Daniel K. Inouye; and Henry S. Knniyuki, Hawaii Veterans Employment Representative.

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Whereas title II and title III of H.R. 11289, Department of Defense Appropriation Act—1963 imposes limitation on the amount of funds the Secretary of the Navy can expend during fiscal year 1963 for ship repair and ship conversion in Navy shipyards, and

Whereas the bill as approved by the House provides that no more than $311,740,000 may be spent for ship repairs in naval shipyards out of a total of $479,662,000, and

Whereas these limitations in effect provide that only 65 percent of ship repair and conversion funds would be available for work in naval shipyards and the remaining 35 percent of work to be done in private shipyards, and

Whereas such an allocation would force the Secretary of the Navy to send ships to private yards for repairs or conversion at a time when, in his best judgment, it would be contrary to our defense requirements, and

Whereas these limitations proopsed by the House bill will severely affect the ship repair program of the Pearl Harbor Naval Shipyard in Hawaii with the resultant elimination of numerous jobs among the 9,000 civilians now employed there, and

Whereas such elimination will inevitably create a hardship to the economy of Hawaii and individually to a number of our own comrades in Club 100; Now, therefore, be it

*Resolved by the State convention of Club 100, composed of veterans of World War II, held on June 2, 1962, in Honolulu, Hawaii,* That this veterans organization urge the U.S. Senate Defense Department Appropriations Subcommittee to consider carefully the damaging effects the limitations in appropriations will have on the economy of Hawaii, and be it further

*Resolved,* That copies of this resolution be transmitted to chairman of U.S. Senate Defense Department Appropriations Subcommittee; members of the said subcommittee; Senator Hiram L. Fong; Senator Oren E. Long; Congressman Daniel K. Inouye; William F. Quinn, Governor of Hawaii; William Hill, president of the Hawaii Senate; Elmer Cravalho, speaker of the Hawaii House of Representatives; James R. Collier, president of national association of naval technical supervisors; William D. Bennett, president of Pearl Harbor Association; Don B. Hardy, president of naval civilian administrators association, Rear Adm. James M. Farrin, commander, Pearl Harbor naval shipyard.

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Whereas the treatment of veterans with nonservice-connected disabilities at private hospitals in Hawaii was terminated with the advent of Statehood; and

Whereas such termination created a hardship for certain veterans, particularly those living on the neighbor islands who were thus forced to be hospitalized at Tripler Army Hospital in Honolulu or be hospitalized at their own expense in private hospitals; and

Whereas a bill permitting treatment of veterans with non-service-connected disabilities at hospitals in Alaska and Hawaii is now in the United States Senate, sponsored by Senator HIRAM L. FONG, Senator OREN E. LONG, and Senator ERNEST GRUENING; now, therefore, be it

*Resolved by the Club 100 in State convention assembled in Honolulu, State of Hawaii, on the 2d day of June, 1962, to support this measure wholeheartedly;* be it further

*Resolved,* That copies of this resolution be transmitted to Senator ERNEST GRUENING, Senator HIRAM L. FONG, Senator OREN E. LONG, and Representative DANIEL K. INOUYE.

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## EXTENSION OF EXISTING CORPORATE AND EXCISE-TAX RATES

The Senate resumed the consideration of the bill (H.R. 11879) to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, and for other purposes.

Mr. JAVITS. Mr. President, I call up an amendment which I submit on behalf of myself, my colleague [Mr. KEATING], and the Senator from Connecticut [Mr. BUSH]; and I ask that the amendment be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 6, in line 23, it is proposed to strike out "October 1, 1962," and to insert "July 1, 1962."

Mr. JAVITS. Mr. President, in our view, the Finance Committee was right the first time it dealt with this matter. Let us remember that about 10 days ago the Finance Committee reported the tax-rate extension bill with respect to persons traveling on railroads and buses, and called for removal of the existing tax on July 1, 1962; but on Saturday the committee called back the bill, and later reported it again, but this time with a provision for removal of the existing tax as of October 1, 1962.

It seems to us that, at the very least, Senators who represent States in which are located great centers of commuter travel, such as New York City, and Senators who represent States contiguous to such centers of commuter travel—for instance, Connecticut, from which travelers and commuters feed into New York City via the New York, New Haven & Hartford Railroad—should favor July 1 as the date for the removal of the existing tax, rather than October 1, and also should take the position that a January 1 date is completely unacceptable, as the Finance Committee agreed in both its first report and its second report.

I do not believe the railroads can be treated in the same way the airlines are treated, because I believe it is generally agreed that the situation of the railroads is much worse than that of the airlines, and in any case, aside from the matter of income, it is very much worse in terms of the sums received from the Government. After all, the airlines are still the recipients of very large benefits from the Government, whereas over the years such assistance has been phased out, insofar as the railroads are concerned.

It was my desire and that of the Senators who have joined me in sponsoring this amendment to submit a much narrower amendment. In order that our intent in that connection may be clear, I ask unanimous consent to have printed at this point in the RECORD, in connection with my remarks, that amendment, which I now send to the desk.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

On page 6 after line 23, insert the following: "Notwithstanding the provisions of the preceding sentence, the tax imposed by section 4261 of the Internal Revenue Code of 1954 shall not apply to amounts paid for transportation of persons by any rail carrier which was not liable for the payment of any Federal income tax for either of the last 2 taxable years of such carrier which ended prior to July 1, 1962."

Mr. JAVITS. Mr. President, the amendment we proposed to submit would have confined the additional 3 months' relief to passengers on railroads

which had reported losses, for Federal income tax purposes, in either of the last 2 years and this would have resulted in a diminution by approximately $6 to $8 million of the revenue expected from this source, as contrasted with an estimated diminution of $25 million in such revenue if this amendment were adopted and enacted into law.

The reason why the amendment was not submitted in that form is that objections would have been made, which are impossible to argue on the floor on this short notice, to the effect that it violated the constitutional provision requiring uniform application of taxes in a geographical sense.

Rather than get into that question, if the Senate should look favorably upon the amendment, the conferees—who must consider this question, no matter which amendment we adopt, since it is in conflict with the provision in the House-passed bill—can work it out on as narrow a basis as necessary both to serve our purposes and to minimize the amount of revenue loss, within the provision of the Constitution. That can better be done by the conferees than by our trying to argue the matter on the floor in the 5 or 10 minutes which we have to prepare the argument.

We have a very serious situation, and the purpose of our move—I do not say the purpose of amendment, because I have explained why it is broader than the amendment originally contemplated—is to deal with the problems of the Long Island, Erie & Lackawanna, Boston & Maine, New York Central, Pennsylvania, New Haven, and Reading railroads and some smaller railroads where every penny counts, in the most material and *pressing way*. The opportunity for the roads to get the amounts represented by the tax which the individual passenger now pays, is a matter of life and death for every one of these railroads.

The Long Island Rail Road serves a commuting population from Long Island to New York City of over 2 million people. We are not talking only about the well-being of the city of New York. The people of New York pay almost 20 percent of the Federal taxes, so our well-being has a great deal to do with the well-being of the Nation.

Our economic vitality and the way in which we move people to and from work are critical to the Nation, even leaving aside matters of defense and mobilization and transportation.

The Long Island Rail Road has become a State redevelopment corporation organized for the special purpose of conducting that system, which was in a terrible state of disrepair and was just a shambles when it went into bankruptcy a few years ago. This road is faced with the necessity of increasing fares, which are already very high, if it does not get some kind of relief we are discussing today.

The New Haven is in receivership now. The Senator from Connecticut [Mr. BUSH] will perhaps address himself to another amendment, if the pending amendment is not adopted, of an even more specific character.

So the situation is of the utmost gravity and concern, and is a key and an integral part of the whole New England area. The commuter business does not concern merely the economic well-being of New York, but its impact has such an effect on the national tax and national economic situations as well to warrant our consideration of the matter here.

Mr. BUSH. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. BUSH. I wish to address a question to the Senator, because his amendment is intended to give relief to railroads not making money. The reason why they are not making money is that their competition has been heavily subsidized by the Government of the United States for many years. Is that correct?

Mr. JAVITS. That is correct.

Mr. BUSH. The Senator has mentioned that the airlines have been heavily subsidized, and that fact has had a deleterious effect on the railroads. But it is also true that the highways, and therefore the trucking business, have been very heavily subsidized; and that fact has had an important effect not only on the passenger business, but also in respect of volumes and profits on freight business. Is that not so?

Mr. JAVITS. That is undoubtedly true.

Mr. BUSH. It seems to me the Senator's amendment is valid because, if we keep on ignoring the necessity of allowing the railroads to make a profit and stay in business and renew their plants, we are going to be faced with an issue in a few years that will be a very ugly issue, namely whether it will not be in the interest of national security for the Government to take over the railroads, which would then become a very much more expensive operation, as we learned in 1919 and 1920, than to do a little bit here and there, as the Senator from New York is now proposing, and help them in these difficult times.

I commend the Senator for bringing this amendment up and permitting me to cosponsor it.

I think the time has come when we must be more realistic in respect to these railroads, and take a more friendly attitude toward them, and not a punitive attitude. It seems to me they are the stepchildren of the national economy. They need a little sympathetic attention from the Congress, and right now. I hope the Senator's amendment will be adopted.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. SALTONSTALL. As a New Englander, I join in commending the Senator from New York for bringing this issue up so sharply and clearly. I have listened to what the Senator from Connecticut has said, and I agree with him.

It is particularly true with regard to the New Haven and the Boston and Maine in New England that, in addition to the competition of trucks and airplanes, they are essentially short-haul railroads. Also, the New Haven is particularly dependent upon passenger traffic, to a greater degree than any other railroad in the country. So that, with the short haul, with the great percentage of passengers, that railroad is very much harder hit by the tax on passenger transportation tickets than almost any other railroad. Therefore, the Senator's amendment is very much in order, particularly in New England, as the people in that Northeastern section of the country are greatly dependent upon railroads for transportation.

Mr. JAVITS. I am very grateful to the Senator from Massachusetts for his excellent contribution in sustaining this argument. My colleague is clearly correct. It is so unique a situation and so unique a problem that it is national in its scope and deserves the action of the Congress, as both the Senator from Massachusetts and the Senator from Connecticut have stated.

Mr. SALTONSTALL. I thank the Senator.

Mr. JAVITS. Two other points I wish to make. In addition to the serious situation in which the railroads find themselves, they face a material increase in their operating costs due to the fact that the Presidential Emergency Commission has recommended a 10.2 cents per hour increase for nonoperating employees. We are advised by the Long Island Rail Road that this inevitably leads to the same increase for the operating employees. This, in the case of the Long Island itself, will amount to a total payroll increase of about $1,670,000 a year. When that is compared with what will happen on this 10-percent fare tax, if on the Long Island there is an assignment of the relationship between the two, it will be seen that if the tax is taken off, there will be a greater opportunity for the railroad to get the approximately $1,800,000 additional revenues, the amount which, in addition to their other troubles, they have to pay in additional wage rates.

I am not arguing against the increase in wages. People should be paid properly for what they do. But I am arguing the question of adequate revenues and taxes.

Next, what are we doing in New York in the way of self-help and mutual cooperation? We in New York are very proud of what we have done. Governor Rockefeller initiated a program which resulted in an interstate staff committee to deal with the particular problems of the New Haven. This was done on October 24, 1960, and resulted in very considerable tax and other help to the New Haven.

In New York we have given help to the Long Island and to the New York Central in terms of State assistance to municipalities, so that there could be tax rebates and the municipalities could take over maintenance of stations and assist in many other ways.

This has been such an outstanding effort on the part of our State to help ourselves in this field that I ask unanimous consent to have printed in the RECORD excerpts from the latest annual report of the Office of Transportation of New York State, as a part of my discussion of this amendment.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

ANNUAL REPORT OF THE OFFICE OF TRANSPORTATION, 1961—STATE OF NEW YORK; NELSON A. ROCKEFELLER, GOVERNOR—OFFICE OF TRANSPORTATION, ARNE C. WIPRUD, DIRECTOR

INTRODUCTION

The Office of Transportation of the State of New York was established in 1959 as a part of Governor Rockefeller's program to meet more effectively the diversified transportation needs of the State. As a branch of the executive department, the office of transportation is responsible for advising and assisting the Governor in the formulation and coordination of an overall transportation policy and the development of programs to meet the special transportation needs of metropolitan areas.

New York is a most important manufacturing and consuming State; the port of New York is the country's major gateway for international trade and travel, and New York City is the financial center for the country and much of the world; hence, New York State is vitally concerned with the adequacy and efficiency of transportation linking New York with the Nation and with all parts of the world. It is within this larger context that the office of transportation must perform its functions.

Developments in the transportation industry, posing immediate and long-range threats to transportation serving New York State, have been the particular concern of the office of transportation during the past year. Merger applications involving major railroads in the East are pending before the Interstate Commerce Commission. Since any action on these merger proposals will substantially, and irrevocably, affect the adequacy of rail transportation serving New York, the State has intervened and is now a party to these proceedings.

The necessity for continuance of adequate passenger services prompted the legislature in 1959 and 1961, on recommendation of the Governor, to provide a significant measure of tax relief to bus companies and railroads. The office of transportation has assisted in the administration of these tax relief measures and other programs for the improvement of commuter services.

Transportation in urban areas has also received special attention by the office during the year. Travel in and out of New York City, especially the commuter services, are of concern to neighboring States as well as to New York. The interstate staff committee on the New Haven Railroad, of which the director of the office of transportation is a member, has continued the cooperative efforts of the Governors of New York, Connecticut, Rhode Island, and Massachusetts to preserve essential operations of this railroad. The formation, during the year, of the tristate transportation committee with broad regional planning responsibility for the Connecticut-New York-New Jersey metropolitan area is another indication of the States' concern for continued improvement of transportation within the region.

Other activities of the office of transportation, described in this report, include a study of the future transportation needs of Long Island and a broad survey of the transportation facilities and future needs of the Niagara frontier region, together with the ports and waterways of the State.

This report covers the activities of the office of transportation for the year ending April 30, 1962.

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II. TAX RELIEF AND OTHER ASSISTANCE

*1. The history of tax relief*

The tax relief granted by New York State is a response to the financial crisis confronting the railroads. In acting to meet this crisis, immediate and substantial relief, rather than a reconstituting of the tax structure, has guided the executive and the legislature.

The tax relief provisions enacted by the legislature in 1959 and 1961 are set forth in detail in the last annual report of the office of transportation.

Briefly, the 1959 legislation eliminated the special franchise tax on intangible rights and privileges, granted partial exemption of railroad property from local real property taxes, the exemption increasing as the railroad's earnings declined, curbed further increases by placing a ceiling on rail real property assessment values, and exempted certain future capital improvements. The 1961 legislation, responding to the deepening financial crisis, advanced the date when the full exemptions for the commuter railroads under the 1959 legislation would become available. It also increased the percentage of exemption as earnings declined, and granted complete exemption for railroad property located within the commuter area used exclusively for passenger service.

The 1959 and 1961 legislation also made other provisions for assistance to the commuter railroads; a program for providing new commuter cars was initiated and is later described; certain counties were authorized to assume the costs of maintaining commuter passenger stations; and postponement of certain taxes was authorized within the commuter area.

*2. The extent of tax relief*

The major tax benefits have accrued to the commuter railroads and to those railroads operating into the larger metropolitan areas of the State. This result follows from the selective character of the tax relief provided in the 1961 legislation and the generally higher property assessment values in urban areas. On March 1, 1962, the office of transportation filed with Governor Rockefeller a special report on railroad tax relief.

The tax relief to the railroads for the calendar year 1961, as a result of both the 1959 and 1961 legislation, is summarized as follows:

*Reduction in railroad real property taxes—Calendar year 1961 compared with calendar year 1958*

| | |
|---|---|
| 1959 law: Class I railroads, title 2A | $2,323,521 |
| 1959 law: Class II railroads, title 2A | 35,651 |
| 1961 law: Commuter railroads, titles 2A and 2B | 5,841,769 |
| Total reduction | 8,200,941 |

For the full tax year 1961–62, the amount of tax relief will be approximately twice the sum shown, but the complete impact of the statutes will not be realized until the following tax year.

*3. Standards of service—Compliance*

Eligibility for tax relief, under chapter 199 of the laws of 1961, requires the commuter railroad (a) to comply with standards of service prescribed annually by the director of the office of transportation, and (b) to participate in the commuter car program. Each railroad is required to submit a rehabilitation program for the ensuing year, and thereafter the director establishes the standards of service for that carrier for the year. The standards are established and compliance is verified in cooperation with the public service commission. Certification of compliance by the director to the State board of equalization and assessment then qualifies the railroad for real property tax exemption.

The first certification to the State board of equalization and assessment was made by the director on March 30, 1961. This entitled the commuter railroads to receive exemptions for the first fiscal year of each tax district after July 1, 1961.

The public service commission has the duty and responsibility to inspect the transportation property of the railroads for compliance with the service standards established by the director. The report of the department of public service to the director, dated January 31, 1962, was generally favorable. The "on time" performance of commuter trains for the period August–December 1961 was, on the average, above the required minimum of 90 percent. Safety standards for passenger cars and motive power were satisfactorily maintained. Quotas for cleaning and repairs of equipment were met or exceeded by each railroad. Track, roadbed, signals, stations and structures were maintained in compliance with the standards. The favorable results obtained reflected the sincere effort of the carriers to improve their commuter service.

Based upon this record of compliance with the 1961 standards of service and upon compliance with other applicable sections of the law, the director, on March 1, 1962, certified the New York Central, the Long Island, and the New Haven Railroads as eligible to receive tax exemptions for the fiscal year 1962–63.

*4. Commuter car program*

Commuter service has been deteriorating due in large part to the financial inability of the railroads to provide modern, comfortable equipment. The 1959 legislation sought to remedy this deficiency by authorizing the State to provide new commuter cars through the Port of New York Authority and lease them to commuter railroads under rental agreements. To secure the necessary financing, a constitutional amendment permitting the State to guarantee $100 million of port authority bonds for this purpose was passed by two legislatures and then approved by the electorate in the fall of 1961.

The New York Central entered into a lease agreement in 1961 with the port authority for 53 new rail commuter cars at a total cost of $8,165,012.30. The railroad is providing approximately one-half of the purchase price. The delivery of the first cars was made during March 1962, with the balance to follow within 6 months. The New York Central operates 580 passenger coaches in the New York suburban area, serving some 40,000 persons twice daily. The 53 new cars will have a seating capacity of 130 passengers each. The new cars will enable the New York Central to retire 99 non-air-conditioned cars built in 1906–7.

On February 28, 1962, the Long Island Rail Road executed a contract with the Port of New York Authority covering 30 new commuter cars which would be acquired by the authority and leased to the railroad. The contract also provides for the acquisition of an additional 30 cars if certain conditions are fulfilled. Delivery of the cars is expected in 1963.

On February 28, 1962, the trustees of the New Haven Railroad executed a contract with the port authority covering 100 commuter cars. These cars would replace 121 MU cars now operated by the railroad which were built during the period 1914–31. Terms of this lease agreement are subject to the approval of the U.S. district court in Connecticut which has jurisdiction over the railroad in the reorganization proceedings.

*5. Financial condition of the commuter railroads*

The year ending December 31, 1961, was not a prosperous one for the Eastern railroads. The business recession of 1960 continued into 1961, with resulting depressed railroad revenues. Two of New York's three commuter railroads, the New Haven and the New York Central, suffered large systemwide

deficits, with the New Haven entering bankruptcy. The third commuter railroad, the Long Island, operated at slightly better than a break-even point for the year.

Railroad accounting does not separate the cost of suburban passenger service from systemwide passenger costs. For this reason, it should be emphasized that the deficits incurred by the New York Central and the New Haven Railroads are not necessarily attributable to their suburban service. In fact, a cost study of the New Haven Railroad, which will be discussed in detail later, demonstrates that only a minor portion of its deficit is attributable to its suburban passenger service.

New York Central Railroad

The operations of the New York Central differ substantially from those of the two other New York State commuter railroads serving the metropolitan area. Its extensive systemwide freight and passenger services materially affect the operating income account: thus commuter revenue has less impact on net income than on railroads whose operations are predominantly devoted to commutation service.

In 1961, the New York Central reported system operating revenues of $612,004,389. This was $62,538,984 less than for the year 1960. Net railway operations resulted in a deficit of $493,092 and there was an overall net deficit of $12,549,048. That the deficit was not attributable to any one service is demonstrated by the fact that freight operating revenue decreased 9.15 percent, passenger revenue 9.8 percent, with a resulting total decrease of 9.3 percent.

Long Island Railroad

The Long Island Railroad's financial condition, while still critical, improved for the year ending December 31, 1961, as compared with the previous year. A 26-day strike of its own employees and a strike of Pennsylvania Railroad employees which deprived the Long Island of the use of Penn Station for 2 weeks contributed to the poor financial showing for 1960. Other contributing factors were the business recession and the loss of express business diverted to motor carriers. The year 1961 resulted in a marked improvement of the Long Island's financial condition. Railway operating revenues were $69,925,477, an increase of $5,920,566 over 1960. After taxes, equipment rents and joint facility rents, the net railway operating income was $995,468, compared with an operating deficit of $1,721,669 in 1960.

New Haven Railroad

The rapid financial deterioration of the New Haven Railroad, which started in 1958, continued during the first half of 1961. As of the end of June, the railroad's balance sheet showed current assets of $23,380,423 and current liabilities of $59,690,889. The retained income account had been entirely depleted. On July 7, 1961, the railroad filed a petition for reorganization under section 77 of the Bankruptcy Act. This petition was accepted by the court and Harry W. Dorigan, William J. Kirk, and Richard J. Smith were appointed trustees. These appointments were subsequently approved by the Interstate Commerce Commission. The trustees petitioned the Federal court to authorize trustee certificates to cover estimated operating requirements for a year. The court, with the approval of the ICC, authorized $5 million in trustee certificates on August 4, and an additional $7.5 million on October 17, 1961. For the year ending December 31, 1961, operating revenue was $127,202,495, and the net railway operating deficit was $19,577,295. A breakdown of this deficit between freight, suburban, and other passenger services will be discussed later in this report.

III. NEW YORK-NEW JERSEY TRANSPORTATION AGENCY

The New York-New Jersey Transportation Agency was established by compact to supervise, coordinate, and integrate plans for maintaining and improving the transit facilities operating between the two States and for solving the bistate problem of mass transportation.

The agency operates under the direction of its two appointed members: the director of the office of transportation, for New York, and the commissioner of the State highway department, for New Jersey.

In pursuit of its basic objectives of seeking long-term solutions to the problems of mass transportation between New Jersey and New York and improving transportation operations between the two States, the agency has been engaged on two major projects: a journey-to-work survey and a railroad marine operations study. A third activity has involved the preparation of demonstration projects in conjunction with the office of transportation and the tristate transportation committee.

The journey-to-work survey will determine the travel patterns of commuters traveling to Manhattan in the area between Chambers Street and 60th Street. (A privately conducted survey has developed substantially the same data for Manhattan south of Chambers Street.) Approximately 350,000 questionnaires were distributed to a scientifically selected sample. A subsample of 100,000 questionnaires has been coded and processed, and the results are now being analyzed. This information is basic to the formulation of plans for the alleviation of traffic congestion and for improvements in transportation in the metropolitan area.

The basic data from this first survey have been recorded on punchcards and are available for specific tabulations as future needs dictate. Surveys are planned in other areas until the travel pattern for the entire metropolitan region is completed.

The railroad marine operations study is directed toward developing a plan for the consolidation of the marine operations of the railroads serving the port of New York. At present, each railroad maintains an independent operation, with it own piers, tugboats, lighters and carfloats. The railroads now operate a total of 1,162 marine units and require some 3,000 employees in the operations. There is considerable duplication of facilities and operations; much of the equipment is obsolete and extremely expensive to operate; and both equipment and manpower are substantially in excess of what is required by the volume of freight handled.

It has been estimated that initial annual savings to the railroads in excess of $2 million could be achieved by a consolidated operation. By retaining only the latest and best equipment for the consolidated operation, substantial additional savings would be realized in replacement costs and operating expenses.

The railroads have cooperated fully on the study and implementation of initial recommendations may be expected shortly.

In the preparation of demonstration projects for submission to the Federal Housing and Home Finance Agency, the bistate agency worked closely with the office of transportation. A number of different possibilities were considered before recommendations were submitted. Each recommendation introduces a novel element to existing transportation systems in an effort to determine not only feasibility but to gage the potential benefits in efficiency and economy.

IV. COOPERATIVE PROGRAMS

The regional nature of transportation operations in the New York metropolitan area has dictated an interstate or a joint Federal-State approach to both the planning and execution of programs for improvement. The office of transportation has thus become involved in the activities of interstate agencies and committees.

The organization and activities of the New York-New Jersey Transportation Agency, established by compact between the two States, have been described. Two additional interstate committees have important responsibilities in respect to transportation developments in the New York metropolitan area.

*Tristate Transportation Committee*

The Tristate Transportation Committee was established on August 30, 1961, by the coordinate action of Governor Rockefeller, of New York, Governor Meyner, of New Jersey, and Governor Dempsey, of Connecticut. In their joint announcement, the Governors stated, "The expeditious movement of millions of persons and tons of goods throughout the region is essential for the continued economic growth of the area. The three States have a vital concern in finding a solution to the critical transportation problems facing the region."

In establishing this committee, the Governors made it clear that "the committee's work will be action oriented."

The Tristate Transportation Committee is composed of 13 members; 4 from each State and 1 from New York City:

For Connecticut: Carl Lalumia, executive aid to the Governor; S. Howard Ives, commissioner of highways; Eugene S. Loughlin, chairman, public utilities commission; and Graham R. Treadway, chairman, Connecticut Development Commission.

For New Jersey: Dwight R. G. Palmer, commissioner of highways; Otto H. Fritzsche, State highway engineer; Herbert A. Thomas, Jr., director, division of railroads; and H. Matt Adams, commissioner of conservation and economic development.

For New York: William J. Ronan, secretary to the Governor; J. Burch McMorran, superintendent of public works; Arne C. Wiprud, director, office of transportation; and George A. Dudley, director, office of regional development.

For New York City: James Felt, chairman, New York City Planning Commission.

Roger H. Gilman, director of port development for the Port of New York Authority, was selected by the committee as its executive director. While working closely with other State, local, and interstate agencies having common interests in transportation developments for the region, the tristate transportation committee maintains its own offices and has its own staff.

Initial efforts have been directed toward preparation of mass transit demonstration projects, which will be carried out, in part, with Federal funds. A number of projects are now ready for submission to the Housing and Home Finance Agency for approval. These projects include station consolidation on the Harlem division of the New York Central, operation of certain New Haven trains to Astoria, in Queens, to permit interchange at that point with the B.M.T. subway, additional off-peak express service on the Long Island Railroad, automatic ticketing devices on certain stations of the Long Island, and new parking and station facilities on the Pennsylvania at New Brunswick, N.J. Additional work has been done on the study of rail marine consolidations, started by the New York-New Jersey Transportation Agency. This study has been expanded to include other aspects of railroad terminal operations in the port of New York.

The appointment of local government cooperating committees was announced on September 28, 1961. Governors Rockefeller, Dempsey, and Meyner, and Mayor Wagner, of New York City, took this common action

in order to further the objectives of the tristate committee and to assure full consideration of the needs of each local community. Each committee is composed of key local government officials, "so that individual communities within the region can contribute to the comprehensive program and at the same time plan realistically for their own development."

The tristate transportation committee has also started a study of the standardization of railroad passenger equipment for the commuter services in order to achieve the full benefits of economies in manufacture and interchangeability in operation.

*Interstate staff committee on the New Haven Railroad*

The establishment of the interstate staff committee on October 24, 1960, by Governor Rockefeller, of New York, Governor Ribicoff, of Connecticut, Governor Furcolo, of Massachusetts, Governor del Sesto, of Rhode Island, Mayor Wagner, of New York City, and County Executive Michaelian, of Westchester County, was described in the annual report of the office of transportation for 1960. The committee continued its efforts in behalf of the railroad in 1961.

When the New Haven was unable to arrange further federally guaranteed loans and was forced into bankruptcy on July 7, the interstate staff committee promptly offered its services to the Federal court and the trustees, urging that the public interest required that every resource be utilized to maintain the essential passenger and freight services of the New Haven. In a report recently submitted to the Governors of the four States, the chairman, Dr. William J. Ronan, stated:

"In October 1961, the interstate staff committee reported: 'Your committee offered its services to the trustees and suggested a joint meeting with key executives of other leading eastern railroads to obtain short-term, expert "lend lease" assistance for the New Haven to make a comprehensive review of its properties, equipment, finances, traffic, management, and its future potential. The New Haven is a test case. It is to the interest of the other carriers in the East to give such assistance.'

"This offer was repeated on several occasions but was not accepted. The committee notes that on March 22, 1962, a group of nine railroad executives from Midwestern and far western railroads was appointed by the Secretary of Commerce to make a study of the New Haven Railroad. The group, according to the announcement, is expected to make recommendations on the condition of the railroad's facilities and equipment, the commuter problem, the general financial condition and overall prospects of the line. This report is due by May 21, 1962.

"The trustees of the railroad have also contracted for two major studies which should also assist in providing additional information. United Research, an economic analysis group, has been retained to conduct an economic survey of the area served by the New Haven for the purpose of providing needed data on the market potential of the railroad both on a long- and short-term basis. The engineering firm of Coverdale & Colpitts is studying economic and engineering problems. Both studies, it is understood, will be completed during the year with the Coverdale & Colpitts survey expected shortly."

A further study by Gibbs & Hill of the railroad's electrification facilities is also in process, and the important analysis of the New Haven's costs and revenues made by Dr. Ford K. Edwards is discussed on pages 27–31 in this report [not printed in RECORD].

V. LEGISLATION

The 1962 legislative session enacted a number of important laws to sustain and improve the transportation services available to the people and to the commerce and industry of the State.

*1. Financing and rental of railroad commuter cars*

On April 4, 1962, the Governor approved implementing legislation providing for a State guarantee of bonds issued by the Port of New York Authority for the purpose of financing the purchase and lease of new commuter railroad cars to the commuter railroads of the State. This action was authorized by a constitutional amendment approved in the 1961 general election. Participation by the three commuter railroads serving New York City, in this program, has been discussed previously in this report.

*2. The Hudson and Manhattan Railroad*

The Port of New York Authority was empowered by legislation approved by the Governor on March 27, 1962, to acquire, operate and improve the Hudson and Manhattan interurban electric railway, a major facility for commuter travel between New Jersey and Manhattan. With the improvement and extension of the Hudson Tubes service, this facility will provide greatly improved trans-Hudson commuter rail service. The law also authorizes the port authority to construct a World Trade Center on the lower West Side of Manhattan, a significant enterprise for increasing the trade potential of the port of New York.

*3. Railroad redevelopment corporations*

The Long Island Railroad has been carrying out its capital rehabilitation and service improvement program as a "railroad redevelopment corporation." As a railroad redevelopment corporation, it was entitled to certain tax exemption for a period of 9 years. Under an amendment to the real property tax law and the railroad law, as passed by the legislature and signed by the Governor on April 4, 1962, the period of tax exemption for railroad redevelopment corporations is extended to 12 years to be coterminus with the life of the redevelopment corporation itself.

*4. Urban transportation planning*

On April 13, 1962, the Governor approved an amendment to the public workc law and commerce law which empowers the superintendent of the department of public works to sponsor and conduct urban transportation studies and mass transportation demonstration projects, and in furtherance thereof, to contract or cooperate with sponsoring Federal agencies. In exercising this authority, the superintendent "may act jointly with and otherwise cooperate with" the office of transportation and other State agencies.

*5. Lake Erie-Lake Ontario shipping canal*

Legislation authorizing the State of New York to cooperate with the Federal Government in carrying out studies for the construction of the Lake Erie-Lake Ontario shipping canal was enacted. The measure also authorized $70,000 for an aerial-photographic survey.

*6. New York City Transit Authority*

Legislation approved on April 19, 1962, amending the public authorities law provides for the acquisition and financing of 724 subway cars to replace obsolete and over age cars. The addition of these new cars will increase passenger convenience and will contribute to the overall operating efficiency of the transit system.

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VIII. THE NEED FOR FEDERAL ACTION

In the 1960 annual report, a plea was made for Government, State, and Federal, to give first priority to arriving at a full understanding of the transportation problem and to formulating a consistent program which will restore this critical industry to vigorous health in the private enterprise sector of the economy. The actions by the State of New York, by the southern New England States, and by New Jersey to meet the immediate financial crises of their vital railroads and to plan for more satisfactory common carrier services have been important milestones, for it has meant the acceptance by these States of a measure of responsibility in the transportation field. However, it is recognized that the States alone, even when acting cooperatively, cannot restore common carrier transport to its proper role in the free enterprise economy.

This concept was emphasized by Governor Rockefeller, in an address to the National Conference of State Legislative Leaders, on October 5, 1961, when he stated:

"While our experience illustrates the kind of effective individual and joint action which the States can take in meeting transportation problems, the States cannot do it alone.

"Basically, this situation—the crisis in transportation—can only be dealt with in the framework of a national transportation policy embracing all forms of transportation—something which this Nation has never had.

"In my opinion, only drastic and immediate action by the Federal Government can save America from a national disaster in its entire transportation system. Such a disaster can only lead to nationalization of the American railroads and possibly the airlines as well. This would seriously erode the freedom and dynamism of our American system of private enterprise."

Mr. JAVITS. Mr. President, I think relief is eminently deserved.

A group of us in the Senate, deeply interested in the matter, petitioned our distinguished, very dear and genial friend, the chairman of the Committee on Finance, to make the date July 1, and the committee at first did that. However, the committee retraced its steps, and that is what we seek to correct.

It might be useful, as showing the widespread interest, to make a part of my remarks the letter dated June 12, 1962, which a group of 10 Senators addressed to the senior Senator from Virginia [Mr. BYRD] including my colleague [Mr. KEATING] and myself, the Senator from Connecticut Mr. [BUSH], and the Senator from Massachusetts [Mr. SALTONSTALL], as well as others from the areas involved. I ask unanimous consent to have the letter printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

JUNE 12, 1962.

Hon. HARRY F. BYRD,
*Chairman, Senate Finance Committee,*
*U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: We should like to express our views to you and to your committee on the provision contained in the Tax Rate Extension Act of 1962 passed by the House as regards the repeal of the 10-percent excise tax on railroad passenger fares effective January 1, 1963.

We urge that your committee give every consideration to reinstating the July 1, 1962, repeal date as originally requested by the administration. The users of many railroads have waited patiently for a number of years for this temporary emergency excise tax to be repealed. Furthermore, certain railroads which are in serious financial straits have based their projections on the immediate incorporation of this tax into their respective fare structures.

Such fare increases would, in fact, represent a net gain for the consuming public in that they would permit these railroads

to continue operations without increasing fares above the present total passenger rate, tax included.

For these reasons, we urge that the committee take affirmative action to repeal the 10-percent transportation excise tax as of July 1, 1962.

Very sincerely yours,

HUGH SCOTT, WINSTON L. PROUTY, THOMAS J. DODD, HARRISON WILLIAMS, JOHN PASTORE, PRESCOTT BUSH, JACOB K. JAVITS, KENNETH B. KEATING, LEVERETT SALTONSTALL, CLAIBORNE PELL.

Mr. JAVITS. Mr. President, before I conclude I should like to have the attention of the Senator from Virginia [Mr. BYRD]. I wish to say that in presenting this amendment we are not being unkind to him. He has assisted in reducing by 3 months the period of time for which the House had provided.

Our exigencies are such, I know my colleague will understand, with respect to every dollar of these amounts—the $750,000 which relates to the New Haven, and the roughly $500,000 which relates to the Long Island—that this may be the difference between rate increases or no rate increases, or even the life or death of a railroad. Hence we have a very pressing interest which motivates us to move in this way.

I think my colleague should know that we understand he is trying to help. We pay him all honor for trying. We hope he will try a little more.

Mr. KEATING. Mr. President, as my distinguished colleague has pointed out, a group of Members recently addressed a letter to the distinguished chairman of the Committee on Finance requesting that the transportation tax be repealed as of July 1. That was the Kennedy administration recommendation. We were acting in accordance with the program of the President of the United States, asking that the repeal be effective July 1.

The transportation excise was originally enacted as a wartime emergency tax. It has been extended again and again under the pressure of budgetary needs. I think most of us agree that at the first practicable moment we ought to relinquish this tax.

We all know that the financial position of the railroads in many areas of the country is very serious. The Senator from Connecticut [Mr. BUSH] has pointed out very properly that unless we do something quickly there will be great pressure—and probably a legitimate need—for the Government to take over the operation of certain of these railroads. We cannot afford in times like these to allow the railroads to lie fallow.

Railroad passengers have been promised that this tax would be repealed for many years. Many of us were very pleased when the Committee on Finance, in accordance with the administration program and in accordance with the request advanced by a number of us to them, reported a bill containing the provision to repeal the tax as of July 1. We were disappointed when the bill was subsequently called back to the committee. Now there is before us the proposal to repeal the tax as of October 1.

There has been tremendous growth in our cities. This applies, of course, to New York City but also to other great metropolitan areas of the country. There has been a concentration of cars and trucks and all kinds of vehicles moving into our cities, and thereby creating a transportation dilemma which becomes more serious every year. We need concerted action to coordinate our transportation policies and to see to it that all the various modes of transportation are strong and capable of the improvement which is necessary to do a good job.

The railroads have been particularly hard hit by financial woes. Despite the relief to which my colleague referred, which has been granted to the railroads by the State of New York and by some other States, many railroads of this country, particularly in the northeastern part of the country, are on the brink of fiscal disaster.

The repeal of the transportation tax has been urgently requested by a number of these railroads. The president and general manager of the Long Island Railroad; the trustees of the New York, New Haven & Hartford Railroad; as well as Governor Rockefeller and the Transportation Office of the State of New York have been in touch with me concerning the effect which the elimination of the transportation excise tax would have. All are agreed that immediate repeal would be of great assistance.

Mr. President, I ask unanimous consent to have printed in the RECORD at the conclusion of my remarks copies of telegrams received from the three trustees of the New York, New Haven & Hartford Railroad; from Mr. T. M. Goodfellow, president and general manager of the Long Island Railroad; and from Governor Rockefeller with respect to this problem.

The PRESIDING OFFICER. Is there objection to the request of the Senator from New York? The Chair hears none, and it is so ordered.

(See exhibit 1.)

Mr. KEATING. Mr. President, it is not only the railroads which are involved. Consumers as much as anyone else would benefit by this kind of proposed legislation.

Rate increases have been requested by a number of railroads in the Northeast, to keep their creditors at bay. The repeal of the excise tax would give a number of key railroads a means of obtaining additional funds without having a net increase in the fares to be paid by passengers. Furthermore, many railroads in the country are fortunately not faced with immediate fiscal crises. These railroads would be able to cut fares, which of course would be of direct and immediate benefit to consumers.

The railroad passengers, those who are employed by the railroads, and the railroads themselves need and have requested time and time again that something be done to repeal the 10-percent passenger transportation excise tax.

I pay my respects to the distinguished chairman of the Committee on Finance and to his committee for the step which they have suggested in that direction, as to the removal of the tax as of October 1. It is my feeling, however, that the administration was correct in its recommendation that the tax be repealed as of July 1. I therefore hope very much that our amendment will be agreed to.

Mr. President, at this point I would like to read a couple of sentences from a statement made by the president of the Pennsylvania Railroad at the Eastern Governors' Meeting on Railroad Problems in October of last year. His comment clearly illustrates the plight of the eastern railroads.

Our amendment, of course, would apply to all railroads. I understand a number of railroads in the southern part of our country are also in really serious trouble.

The president of the Pennsylvania Railroad said:

> The railroad situation in the East is a real public crisis—one that has been building up for some time. Many important roads are now in worse shape than during the depression of the thirties. Now this is not a temporary condition, and it is not going to miraculously disappear. It threatens not only railroad employees, customers and investors, but also the entire economy in our section of the country. It is so big and so serious that it demands prompt and effective action at the highest levels of Government.

The most serious objection which I have heard made to changing the date from October 1 to July 1 is contained on page 9802 of the CONGRESSIONAL RECORD, in the words of the distinguished chairman of the Committee on Ways and Means of the House of Representatives about the timetable on rate-change applications in lieu of the anticipated repeal of the Federal transportation excise tax. He said:

> It would be rather unusual for these applications to be processed by the Interstate Commerce Commission and rate adjustments go into effect for the benefit of the railroads much earlier than January 1, anyway.

Senators will remember that the House-passed bill provides for that reduction to take place on January 1, 1963. To that extent the bill reported by the Committee on Finance of the Senate is preferable, for it would set the date at October 1.

In a letter to the Chairman of the Interstate Commerce Commission, the Honorable Rupert L. Murphy, I quoted the statement made by the distinguished chairman of the House Committee on Ways and Means in the other body, and I said:

> It is my understanding that this is not the case and that assurances have already been given that every possible effort would be made to process these applications as quickly as possible. I would appreciate having a letter from you stating your views as to approximately how long it would take to approve a rate change were the Congress to repeal the transportation excise as of July 1, 1962.

My letter is dated June 8, 1962.

I received a reply from the Chairman of the Interstate Commerce Commission in which, after acknowledging my letter, he said:

> With respect to the statements on page 9802 of the CONGRESSIONAL RECORD regard-

ing the processing by this Commission of applications of the railroads to increase their fares should the tax be repealed, it is well to explain that, generally, the carriers are free to publish and file with the Commission, tariffs providing for such changes in their fares, either increases or reductions, as they may regard as necessary or desirable, without the necessity of previously making application to the Commission or seeking Commission approval. Tariffs, however, are required to be filed on statutory notice of not less than 30 days before their published effective date.

Changes in fares, of course, before they become effective, are subject to protest by anyone who regards them as unlawful, and possible suspension by the Commission.

The Chairman of the Interstate Commission continued:

As a matter of fact, the New York, New Haven & Hartford Railroad Co.—

In which the distinguished Senator from Connecticut is very much interested, as are my colleagues, I, and others—

in March of this year filed, on statutory notice, amendments to certain of its passenger tariffs to increase the fares or charges by 10 percent, the amount of the transportation tax, effective April 10, in anticipation of repeal of the tax by that date. In early April, the schedules containing the proposed increases in fares were postponed to become effective July 1, 1962. Therefore, if the tax is repealed effective July 1, the New Haven Railroad, insofar as these tariffs are concerned, effective that date, is prepared to increase its fares by the amount of the repealed tax.

The Chairman of the Interstate Commerce Commission went on to say:

While representatives of other Eastern railroads early this year discussed with members of our staff the possibility of taking similar action, our Bureau of Traffic states that none of them has filed increased fare tariffs of that nature so far.

If the tax is repealed, no amendment of the carriers' tariffs is necessary; the carriers will simply cease to collect the taxes. Furthermore, if the Congress repeals the tax effective July 1, as stated, the New Haven has tariffs on file to increase its local fares by 10 percent, and there appears to be no good reason for delaying the repeal date in order to afford other carriers opportunity to increase their fares as the New Haven now proposes to do.

They could immediately file new rates, to take effect 30 days from now. The form of amendment which I would prefer has been referred to by my distinguished colleague from New York. Instead of changing the date from October 1 to July 1, the amendment, notwithstanding the provisions of the section relating to the transportation tax, would provide that it should not apply to amounts paid for transportation of persons by any rail carrier which was not liable for the payment of any Federal income tax for either of the last 2 taxable years of such carrier which ended prior to July 1, 1962.

That provision would solve the pressing problem of a few of the Northeastern roads and others. Of course, it would be general in its operation. It would apply to about 15 railroads and would not involve as much revenue. It is estimated that it would involve perhaps $6 million in loss to the Treasury for the 3-month period. It would not apply to all railroads. I am informed that it would make it possible for several of the key railroads in the East, to operate without a fare increase.

A question has been raised by the very able staff of the Committee on Finance and by members of the Committee on Finance regarding the constitutionality of such a provision. It is pretty hard to argue that question out thoroughly on the bill at this time. My personal belief is that such a provision would be perfectly constitutional and would provide for uniformity.

The question has been raised as to whether the provision would establish a uniform excise throughout the United States. Of course, it must be so to comply with the terms of the Constitution.

I am not persuaded by the constitutional argument. However, it is difficult, on a bill we are trying to pass in a relatively short time, to have a long drawn out argument on the question of constitutionality. If the amendment fixing the date of July 1 rather than October 1 were agreed to, it might be that in conference with the House, and after further study of the effect of the amendment and its language, the committee would conclude that the provision could constitutionally be retained in the bill. Perhaps the committee would refer the question to constitutional authorities. If the committee should find it to be constitutional, in all frankness the provision would solve the problem of the New York, New Haven & Hartford Railroad, and the Long Island Railroad, and a number of others, which have not during at least 1 of the past 2 years, and in most cases both of the past 2 years, paid any income tax or had any profit whatever.

Mr. President, the plight of the railroads of our country is critical. It affects not only those who have invested in railroads, but every employee of the railroads. It affects every citizen of our country. It affects our national defense.

I know that the members of the Committee on Finance recognize what I have said. The committee has recognized it by the action which they have taken. I hope very much that the Senate will see fit to fix the date of July 1 rather than October 1 as the time when the tax will be eliminated.

EXHIBIT 1

NEW YORK, N.Y., *May 23, 1962.*

HON. KENNETH B. KEATING,
*Senate Office Building,*
*Washington, D.C.*

The trustees of the New Haven Railroad in reorganization under section 77 of the Bankruptcy Act urgently ask that your committee take all possible steps to make effective not later than June 30, 1962, as to it or any other railroad in bankruptcy reorganization or other insolvency proceedings a repeal or discontinuance of the 10-percent Federal excise tax applicable to railway passenger fares. Without relief in this matter by June 30, 1962, the ability of the trustees to maintain present service on its lines pending reorganization will be seriously endangered.

Operations have been continuing only at a substantial cash loss. Following the President's message on transportation, we had counted on a repeal of the 10-percent excise tax with consequent tariff adjustments not later than June 30 of this year as an essential factor in eliminating our cash loss.

We respectfully request your consideration of this vital matter in the interests of the public service which we are endeavoring to maintain.

RICHARD JOYCE SMITH,
WILLIAM J. KIRK,
HARRY W. DORIGAN,
*Trustees, New York, New Haven & Hartford Railroad.*

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JAMAICA, N.Y., *June 7, 1962.*

Senator KENNETH KEATING,
*Senate Building, Washington, D.C.:*

The acceptance this week of Presidential commission recommendation that nonoperating employees of railroads be given a 10.2-cent-per-hour wage increase immediately increases the expenses of the Long Island Railroad by $1,050,000 per year. Negotiations underway with operating employes will add significantly to this bill. The Long Island, operating as a railroad redevelopment corporation, has no way to meet this expense except by a fare increase or by making a most undesirable reduction in forces which it can ill-afford to do. H.R. 11879, passed yesterday, ends the 10-percent tax on railroad transportation effective January 1, 1963. This matter is now before the Senate. If this tax could be ended on July 1, 1962, we have every reason to believe that this would provide us with an additional source of revenue that would eliminate the necessity for a fare increase. I believe I speak for the riders of the railroad when I say that a fare increase is to be avoided if at all possible.

T. M. GOODFELLOW,
*President and General Manager, Long Island Railroad.*

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ALBANY, N.Y., *May 24, 1962.*

KENNETH B. KEATING,
*Senate Office, Building,*
*Washington, D.C.:*

The House Ways and Means Committee has just recommended repeal of the 10-percent excise tax on railroad passenger fares. Strongly urge that the effective date for repeal be made June 30, 1962, rather than the recommended date of January 1, 1963. The delay of 6 months in effective date would mean a cash loss of $1.5 million to the bankrupt New Haven Railroad. The long-range program of assistance to the railroad now being prepared by the interstate staff committee, representing the States of New York, Connecticut, Rhode Island, and Massachusetts, would be strengthened if the effective date of the repeal of this tax be made no later than June 30, 1962.

NELSON A. ROCKEFELLER.

Mr. SPARKMAN. Mr. President, in the wake of the decline in the stock market that has been taking place over a period of time, a great many people seem to be rather despondent as to business. Today in one of the lead articles in the Wall Street Journal there is an article entitled "How's Business?" The subtitle is, "Despite Stock Market Plunge, the Economy Has Many Bright Spots."

I read briefly from the article:

Personal income is at a record level. So is consumer spending. So is industrial production. So is nonfarm employment.

The economy has kept on growing long after passing the peak of the 1958–60 recovery, reached in May 1960.

It has marched briskly forward since the pit of the 1960–61 recession, reached in February 1961.

Further along in the article there is brought out the fact that construction is a bright spot.

The article points out:

Housing starts in May, at 1,587,000 annual rate, were 3 percent higher than in April and 23 percent above May 1961.

At the beginning of the year it was felt that we would be indeed fortunate if we were able to reach 1,300,000 during this year. At the present rate it is nearly 300,000 in excess of that.

The article points out:

Contract awards for construction work were 18 percent higher in the first 4 months of this year than in the comparable 1961 period, according to F. W. Dodge Corp., a construction industry statistical service. The April total was 17 percent above a year earlier.

The article points out:

Construction contracts, of course, foreshadow the actual start of building activity. Construction contracts awarded for commercial and industrial buildings are among the so-called leading indicators of business cycles.

I shall not read further from the article. It is a very well written, objective, sensible article. It discusses some of the weak points. For instance, the article brings out the fact that steel production is running only a little above 50 percent of capacity. On the other hand, it brings out something that not all of us have been observing in the last few years, or of which we have not been fully aware, that there are other metals that are invading the field of steel. The article points out that aluminum capacity is being stepped up to almost complete capacity, but certainly to around 90 percent of capacity.

It is a very thought-provoking article, one that I believe should be read by everyone, particularly in this time of wringing out of the water in the badly inflated stocks. We must have known it was there, and that would have to see a day of reckoning sometime.

I ask unanimous consent that the article be printed in the RECORD at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

HOW'S BUSINESS?—DESPITE STOCK MARKET PLUNGE, THE ECONOMY HAS MANY BRIGHT SPOTS—PERSONAL INCOME, JOB LEVEL, FACTORY OUTPUT AT HIGHS; CAR, APPLIANCE SALES BRISK—CONCERN OVER STEEL, PROFITS

(By Alfred D. Malabre, Jr.)

How's business?

Stockholders writhe in a shakeout of highflying stocks. Economists speak of a mild recession next year. Washington worries over a lack of "growth."

Against this background a glance at major measures of the economy as things stand at the latest reading shows little evidence of illness.

Personal income is at a record level. So is consumer spending. So is industrial production. So is nonfarm employment.

The economy has kept on growing long after passing the peak of the 1958–60 recovery, reached in May 1960. It has marched briskly forward since the pit of the 1960–61 recession, reached in February 1961.

KEY INDICATORS COMPARED

Some key measurements of the economy appear in the table below. Dollars are in billions. Industrial output is a percentage of the 1957 average. Nonfarm employment is in millions, housing starts in thousands. Consumer spending and corporate profits are for the second quarter of 1960 and the first quarter of 1961 and 1962. Current totals are for May in categories reported monthly. Annual rates are used, except for retail sales, which are monthly. Seasonal adjustments are made.

| | May 1960 | February 1961 | Latest |
|---|---|---|---|
| Personal income | $403.6 | $403.1 | $440.0 |
| Consumer spending | $329.9 | $330.7 | $352.0 |
| Corporate profits | $23.3 | $20.0 | $26.0 |
| Retail sales | $18.5 | $17.8 | $19.5 |
| Industrial output | 109 | 102 | 118 |
| Nonfarm employment | 61.4 | 60.9 | 62.8 |
| Housing starts | 1,333 | 1,169 | 1,587 |

The sharp drops in the stock market recently, of course, cast a pall over the healthy glow of the latest figures. Many of the Nation's 16 million stockowners have seen much of their assets wiped out in recent weeks. They're likely, as a result, to spend less in coming months than they otherwise would. Moreover, other consumers, worried by the stock market, may also decide to cut down spending.

For the time being, however, there's little question that business, generally, looks good. Here's a capsuled review of some key parts of the economic picture:

Inventories: The supply of durable goods held by manufacturers to meet demand is considerably smaller in relation to sales than either a year ago or in February 1961, at the trough of the 1960–61 recession, latest figures indicate.

At last count in April, durable goods inventories of manufacturers amounted to $32.5 billion, or 1.98 times the $16.4 billion April sales of such goods.

A year earlier, by comparison, durable goods inventories totaled 2.14 times monthly sales. And in February 1961, the inventory-to-sales ratio was 2.30.

Retail sales are at a near-record clip. The May total was 1 percent below April but higher than in any other month on record, after adjustment for seasonal factors.

Sales of automobiles and appliances are booming. Shipments to dealers of refrigerators, ranges, freezers, air conditioners and home laundry equipment were 23 percent higher in May than in the comparable 1961 period. Automobile sales in the first third of June totaled 20,247 cars, up 21 percent from a year before. Auto industry economists talk confidently of full-year car sales around the 6.9 million mark, 17 percent above 1961. A sluggish item: Furniture.

Construction is a bright spot. Housing starts in May, at a 1,587,000 annual rate, were 3 percent higher than in April and 23 percent above May 1961. The latest total is the highest recorded since the debut of the Government's current housing starts series in January 1959.

Contract awards for construction work were 18 percent higher in the first 4 months of this year than in the comparable 1961 period, according to F. W. Dodge Corp., a construction industry statistical service. The April total was 17 percent above a year earlier.

Construction contracts, of course, foreshadow the actual start of building activity. Construction contracts awarded for commercial and industrial buildings are among the so-called leading indicators of business cycles, developed by the National Bureau of Economic Research, a nonprofit business research organization. Such indicators supposedly signal movements of the economy.

Consumer income: On a per person basis, disposable personal income of consumers is on the rise. In the first quarter of this year, it reached a record $2,039 annual rate, up from $2,032 the previous quarter and $1,940 in the like 1961 quarter.

Over the long term, per capita income also has moved ahead, even after allowing for price increases. In terms of 1961 prices, it totaled $2,021 on a yearly basis in the first 1962 quarter, compared with only $1,692 in 1950.

The average weekly pay of factory workers is also increasing. It climbed to a record $97.20 in May, up from $89.31 in February 1961 and $91.37 in May 1960, at the peak of the last business expansion.

Despite many signs of bounce in the Nation's business, there are also factors, besides the stock market, causing concern among economists and businessmen. Here are a few:

Unemployment: Although nonfarm employment is at a record, many months of expansion have failed to cut unemployment sharply. In mid-May, 5.4 percent of the civilian labor force wanted work, but said they couldn't find any. That's well below the 6.8 percent recession rate of February 1961. But it's considerably higher than at comparable periods in previous postwar expansion cycles. The unemployment rate after 15 months of the 1958–60 expansion—a weak upturn—was 5.1 percent.

The current rate, however, is still far below the depressed level from 1931 to 1940 when unemployment never dipped lower than 14.3 percent of the labor force.

New orders for durable goods, considered a key barometer of business weather, have weakened in recent months. After hitting $16.4 billion in January, after seasonal adjustment, they steadily declined to $15.8 billion in April. Orders in May remained at the April level.

The backlog of durable goods orders at the end of last month was $44.4 billion, $1.1 billion below April and down for the third consecutive month. The end-of-May backlog, however, still was $1.8 million above a year earlier.

Steel: Despite the fact some of its key customers—appliance makers, auto producers and contractors—are enjoying booms, the steel industry is operating at about half of its full capacity. Many steel executives fear operations will sink below 50 percent of capacity in the weeks ahead. They anticipate a moderate pickup later in the year.

The low production rate in the steel industry may partly reflect inroads by competitors, as well as sluggish demand, some observers say. Several days ago, for example, Aluminum Co. of America announced plans to lift its production to 86 percent of capacity next month. The company's current rate is about 82 percent of capacity. A few days before, Kaiser Aluminum & Chemical Corp. announced plans to increase its output of refined aluminum to 90 percent of capacity from 86 percent.

Corporate profits: In the first quarter, after-tax profits of corporations, though above the recession level of a year before, fell to a $26 billion annual rate, down from a record $26.5 billion in the previous quarter. Corporate profits are among the leading indicators of business activity.

Profit margins of manufacturers, moreover, narrowed to 4.3 percent of sales in the first quarter, down from 4.8 percent in the previous 3 months.

The squeeze on profits, many economists fear, will crimp business spending for plant and equipment in the months ahead. Businessmen spent about $35.7 billion on an annual basis on plant and equipment in the first quarter, according to estimates. That's slightly higher than the level of the previous few years, but under 1957's record $36.96 billion total.

It has been hoped plant and equipment expenditures will provide steam for the economy in the months ahead, if consumer spending starts to lag.

Mr. SMATHERS. Mr. President, I should like to say on behalf of the chairman of the Committee on Finance and the other members of the committee, with respect to the amendment offered by the able Senators from New York and the Senator from Connecticut, that the committee is very much in sympathy and has been very much in sympathy with the plight of the railroads.

The committee, as in the past, sought ways and means of alleviating in a sensible and practical manner some of the problems of the railroads, particularly those in the East which are in fact suffering great financial losses and are in very serious financial plight.

As a matter of fact, it was our committee which several years ago approved a bill, which the Senate passed, which immediately took off the transportation tax on persons using railroads and airlines.

In this particular instance, we were faced with a very practical problem, which was how we would justify acting differently with respect to railroads than with respect to airlines. The airline industry is now presenting a rather not happy picture as to what they are doing financially, and they have pretty well demonstrated that they are in serious financial difficulties.

As a matter of fact, the committee gave very serious consideration to removing the tax on the transportation of passengers on railroads as of July 1 and continuing, as the House recommended, the tax on airlines at a rate of 5 percent as of January 1, 1963.

Senators will remember that the House bill, however, continues the tax on the transportation of persons on railroads until January 1, 1963, at which time it would be removed.

After our committee had wrestled with this matter for some time, we finally unanimously decided that the only equitable thing we could do, and what would give the most relief at the moment, would be to take off the transportation tax on people who ride the railroads and people who ride the airlines as of October 1, 1962.

I misspoke myself with respect to those who ride the airlines, because we still keep that tax at 5 percent. I will not go into the reasons why we did that, because the Senators who sponsor the amendment are primarily interested in the railroads. It has been agreeable with the airline industry to keep the 5-percent tax in lieu of certain user charges which eventually they will have to pay. This seemed to be the only fair thing to do.

I would again say that as we looked at the subject, we knew about the New Haven problem. The able Senators know that back in 1958 the junior Senator from Florida was the chairman of the subcommittee which approved an act, the Transportation Act of 1958, which made it possible for the New Haven Railroad to borrow, through the Interstate Commerce Commission and from the Government a sum, I believe in the neighborhood of $17 million.

That itself was not sufficient to save the New Haven. There is no question about the fact that they need some help. There is no question that the States and counties and cities are taking a realistic approach to this problem. The Senators who have offered the amendment have demonstrated such interest in it that they are urging that we do something about the plight of the railroads.

The fact is that the Committee on Finance feels there is nothing more we can do in the pending bill if we are to deal equitably and fairly and constitutionally, and that is what we have done.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. SALTONSTALL. I think I speak for the other Senators who have offered the amendment when I say that the railroads have very real need at the present moment to get some money to meet the difficulty in which they find themselves in the light of the present condition of their revenues.

Mr. SMATHERS. What the Senator says is absolutely true. As the Senator from Connecticut has said, or as I believe I have understood him to say, at the moment the railroads are going to ask, possibly, for an increase in the passenger rate.

Mr. BUSH. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. BUSH. Sufficient to cover the tax if the tax were removed.

Mr. SMATHERS. By the time they got their rate increase—observing the experience we have had with respect to action by the Interstate Commerce Commission in granting rate increases—if the New Haven made the application tomorrow, it would probably be September or October before the rate went into effect.

Mr. BUSH. Will the Senator yield?

Mr. SMATHERS. I yield.

Mr. BUSH. They already have the authority from the Interstate Commerce Commission. The Senator from New York put their letter in the RECORD a short time ago. It indicates that if we could get the rollback to July 1, and the tax came off, the revenues from fares would increase 10 percent. We have a letter from the Interstate Commerce Commission to that effect.

Mr. SMATHERS. I thank the able Senator. I did not know they already had it. However, I would say that we are very sympathetic with the view expressed by the Senators. I believe we have gone to great lengths to demonstrate that sympathy. We have sought to improve their condition 100 percent over that which the House has recommended. In the light of the responsibility we have to the total transportation problem and to the other modes of transportation, it is our request that the Senate not upset the action of the Committee on Finance, but support the action of the committee which would remove the tax on transportation of passengers on railroads totally as of October 1 of this year.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield.

Mr. JAVITS. Our purpose in offering the amendment is twofold. First, it would make more money immediately available where there is the need, as my colleagues have demonstrated. The second purpose is to demonstrate a body of opinion in the Senate with respect to this subject. Otherwise, the change of date from July 1 to October 1, insofar as its presence in conference was concerned, would not have represented in any sense the response to the point of view which we express. It would have been just something the committee did, because it was, as the Senator has said, trying to trim its ship according to the situation. We thought it essential that the deep feeling on our part, with respect to the urgent need as of July 1, that the committee was right the first time be strongly manifested, and the only way we could do so was to show our conviction on that score in the way we have acted today.

Mr. SMATHERS. I commend the able Senators from New York for the presentation they have made. There is no question that the eastern railroads, particularly the Long Island and the New Haven, are in serious condition. Congress and the whole country will have to wrestle with the problem very shortly.

Mr. KEATING. Mr. President, as I said before, we are all grateful for what the Senate committee has done as opposed to what the House has done. But knowing the penchant of the distinguished Senator from Florida for accuracy, I point out to him that the committee has not improved the position of the railroads 100 percent, but only 50 percent. What we seek to do is to improve their position 100 percent.

Mr. SMATHERS. Mr. President, I have always liked the Senator from New York because he is a reasonable man. He is not satisfied with 50 percent; he wants 100 percent.

Mr. KEATING. That is all.

Mr. CARLSON. Mr. President, as the Senator from Florida well knows, this problem was thoroughly discussed in the committee. We would very much have liked to provide 100 percent relief; but after analyzing the situation in the transportation industry as a whole from every angle, the committee felt, and I myself felt, that we had gone as far as we could. I hope the committee action will be supported.

Mr. JAVITS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. Will the Senator from New York withhold his suggestion of the absence of a quorum?

Mr. JAVITS. I withhold the suggestion of the absence of a quorum.

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## APPOINTMENT OF COMMITTEE TO ATTEND THE FUNERAL OF SENATOR FRANCIS CASE, OF SOUTH DAKOTA

The PRESIDING OFFICER (Mr. HICKEY in the chair). The Chair, for the Vice President, announces the appointment of the following Senators as members of the committee authorized

by the Senate to attend the funeral of the late Senator Francis Case, of South Dakota:

Vice President LYNDON B. JOHNSON, of Texas.

Senator KARL E. MUNDT, of South Dakota, chairman.

Senator MIKE MANSFIELD, of Montana, majority leader.

Senator EVERETT MCKINLEY DIRKSEN, of Illinois, minority leader.

Senator BOURKE B. HICKENLOOPER, of Iowa.

Senator MILTON R. YOUNG, of North Dakota.

Senator JOHN STENNIS, of Mississippi.

Senator FRANK CARLSON, of Kansas.

Senator J. GLENN BEALL, of Maryland.

Senator ROMAN L. HRUSKA, of Nebraska.

Senator CARL T. CURTIS, of Nebraska.

Senator JOHN SHERMAN COOPER, of Kentucky.

Senator HOWARD W. CANNON, of Nevada.

Senator QUENTIN N. BURDICK, of North Dakota.

Senator J. CALEB BOGGS, of Delaware.

Senator JACK MILLER, of Iowa.

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## EXTENSION OF EXISTING CORPORATE AND EXCISE TAX RATES

The Senate resumed the consideration of the bill (H.R. 11879) to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise tax rates, and for other purposes.

The PRESIDING OFFICER. The absence of a quorum has been suggested, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BUSH. Mr. President, I understood that the suggestion of the absence of a quorum had been withheld.

The PRESIDING OFFICER. It had been withheld.

Mr. BUSH. Mr. President, I wish to offer an amendment, but I thought it was the intention first to have the Senate vote on the Javits-Keating amendment.

Mr. SMATHERS. Mr. President, may we have a vote on the amendment offered by the Senators from New York?

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senators from New York [Mr. JAVITS and Mr. KEATING]. [Putting the question.]

Mr. SMATHERS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SMATHERS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, on this amendment, I ask for a division.

On a division, the amendment was rejected.

Mr. BUSH. Mr. President, I offer the amendment which I send to the desk and ask that it be read.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 6, line 23, it is proposed to insert the following:

Notwithstanding the provision of the preceding sentence, the tax imposed by section 4261 of the Internal Revenue Code of 1954 shall not apply to any amount paid for transportation by rail furnished solely by a carrier during any period after June 30, 1962, with respect to which such carrier is subject to bankruptcy or reorganization proceedings under the Bankruptcy Act, nor to any amount paid for facilities in connection with such transportation.

Mr. BUSH. Mr. President, the purpose of the amendment is to permit railroads which are in bankruptcy to be relieved of the 10-percent tax, as of July 1. How many railroads which are doing a passenger business are in bankruptcy? Only one: The New York, New Haven & Hartford Railroad Co. It has been in bankruptcy for a little more than a year.

This railroad is in dire financial circumstances. It is not meeting its plain operating expenses, to say nothing about fixed charges and the servicing of its debt. It is not even making operating expenses. In fact, at present the New Haven is incurring a cash deficit of about $300,000 a month, or at the rate of $3,600,000 a year.

Considering the cash position of this railroad at present, or very recently, when I last looked at it, it is perfectly clear that without some immediate relief, the road will run out of cash and therefore will have to shut down its passenger business—and the trustees have so declared publicly—unless it can get some relief.

We are dealing with a "dying man." The previous amendment dealt with a man who was quite sick. But the one I am talking about is on his deathbed. He needs a blood transfusion to keep him alive. He is in poverty. He has holes in his shoes. His trousers are worn out at the knees, because he has been praying so hard for relief. His shirt is dirty. He has no necktie. He is in a thoroughly disheveled condition, absolutely poverty stricken. I am asking the Senate to adopt an amendment so that this individual can be kept alive.

Mr. President, the New Haven Railroad is absolutely essential to the economy of New England. My fear is that if this railroad is allowed to die on its feet—and that may happen unless something is done to help it in the next few months; and this amendment would be of help to it right now—the result will be a real disaster to the entire northeastern part of the country. Unless this railroad is enabled to bring an end to its deficit and to put itself in a cash-income position, it will collapse, and that will be a disaster of the first order for New England, and particularly for the southern part of New England.

So I am asking that this railroad be given approximately $750,000 of relief in the next 3 months, in connection with this tax. Recently this railroad has negotiated a new wage settlement, which it had no alternative but to accept, and that has added $166,000 monthly to its expenses.

So I ask the Finance Committee to make an exception in this case, for this is the only railroad now in receivership; and I am very much afraid that unless we show it some consideration of this sort, there will be a movement, in due course, to ask the Government to take over this railroad. We wish to avoid that. Yet this railroad is so essential to the Nation—because New England was the so-called arsenal of democracy during World War II—that it is really necessary that something definite be done to help it.

So I ask the distinguished chairman of the committee and the Senator in charge of the bill, the Senator from Florida, to accept this amendment. It is a small amendment, in terms of the total bill, but it will save an important life. Because the amendment is a very small one, I think the committee would have no trouble in conference in persuading the House conferees to join in accepting it.

I am very much aware of the long-standing and affirmative interest of the Senator from Florida [Mr. SMATHERS] particularly in the welfare of the railroads throughout the time I have been a Member of the Senate. I recall the action he led in 1958, which made possible some relief. I know also that the distinguished chairman of the committee [Mr. BYRD of Virginia] is sympathetic toward private enterprise, and does not wish to see developments which would result in a strong demand for the Government to take over and operate this railroad.

More than 40 years ago we saw what happened when the Government operated the railroads. All of us hope we shall not have to witness that situation again.

But the combination of circumstances faced at this time might very easily result in a demand to have the Government take over the New York, New Haven & Hartford Railroad, because of its importance to the entire economy—not only to that of New England, but—because of the relationship of the economy of New England to that of the entire Nation—to the national economy.

So I hope very much that the amendment will be accepted.

Mr. SALTONSTALL. Mr. President, will the Senator from Connecticut yield to me?

Mr. BUSH. I yield.

Mr. SALTONSTALL. I join in urging the Finance Committee to accept the amendment and take it to conference, particularly in view of the fact that in any event there must be a conference.

In this instance, since the New Haven Railroad is the only railroad now in bankruptcy, I believe the amendment is a constitutional means, under the excise tax provisions, of extending aid to this railroad. It is now in bankruptcy and is in the charge of a court of the U.S. Government. So it seems to me that is a proper basis for making such an exception.

What the Senator from Connecticut has said is only too true of the rail traffic in that part of the country, because the traffic by sea is now negligible, even though we wish to build it up. So this railroad is providing an essential service in connection with the trans-

portation of both freight and passengers when the airlines and the shipping lines cannot carry that traffic profitably.

Therefore, I join the Senator from Connecticut in urging the Finance Committee to accept the amendment and take it to conference, and there consider it very seriously.

Mr. BUSH. I thank the Senator from Massachusetts. Certainly no one is better qualified by experience than he to state the need for the enactment of this amendment; and what he has said is absolutely correct.

Mr. KEATING. Mr. President, will the Senator from Connecticut yield?

Mr. BUSH. I yield.

Mr. KEATING. Mr. President, although the Senate did not see fit to adopt the previous amendment—and I very much regret its failure to adopt it—I strongly support the amendment of the Senator from Connecticut. The situation of the New York, New Haven & Hartford Railroad is the most serious of all those confronting the railroads, for today the New Haven Railroad is actually in bankruptcy. Therefore, it seems to me it is entitled to this rather unusual treatment, if the Senate is not prepared to extend it in other ways.

I have been in conference with the trustees of the New Haven Railroad, and I know how acute that situation is and how they are struggling to keep this railroad going. It means a great deal to those who travel on it—many of whom travel to, or perhaps through, the State of New York; and it means a great deal to the economy and the defense of the entire Nation. So it is most important that this railroad be kept in operation.

This amendment is very minor, as compared to other amendments. I hope our friends on the Finance Committee will see fit to accept the amendment and take it to conference in order that this slight concession may be made to the point of view we are advancing today.

I commend the distinguished Senator from Connecticut for submitting the amendment.

Mr. BUSH. Mr. President, I thank the Senator from New York. He has correctly sized up the situation in regard to the amendment. Certainly, it is a very small amendment; but it may save a very important life, and that may save the Federal Government many millions of dollars, later. That is why, among other reasons, I am interested in the amendment.

Mr. President, I now throw myself upon the mercy of the distinguished leaders of the Finance Committee, and beg them to accept the amendment and take it to conference, where I am sure the House conferees will take a sympathetic view in regard to it.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Connecticut.

Mr. SMATHERS. Mr. President, on behalf of the Finance Committee, let me say that the heart of the Finance Committee bleeds and sympathizes with the expressions made by the very able Senator from Connecticut and other Senators.

There is only one thing wrong with this "little" amendment: It rings a bell, but does not ring it at the right address, because this tax is not imposed on the railroads; it is imposed on the passengers who ride on the railroads. Although this railroad may be in bankruptcy, there is no escaping the fact that not everyone who rides on this railroad in Connecticut is in bankruptcy. So we are faced with the question of uniformity of legislation, as provided for in the U.S. Constitution, in article I, section 8, as follows:

> The Congress shall have power to lay and collect taxes, duties, imposts and excises—
>
> And so forth—
>
> but all duties, imposts and excises shall be uniform throughout the United States.

Our Joint Committee on Internal Revenue Taxation says this tax cannot be levied at one rate in one locality and at another rate in another locality upon the same object or business, nor may Congress exempt from taxation taxpayers of a certain class located in one part of the country and not taxpayers of the same class living in another part of the country.

The effect of the amendment would, of course, be that only those who ride on the New York, New Haven & Hartford Railroad would receive the proposed benefit. The amendment is urged because the New Haven Railroad is sick. However, many of the most affluent and prosperous people in the country may be found, and probably are found, living in Connecticut, Massachusetts, and New York; and to say to them, "You do not have to pay the 10 percent tax," but to require poor people living in the South or in the West or in Kentucky and other States to pay this tax, would certainly be violating the uniformity-of-taxation rule set forth in the Constitution of the United States.

So, although we are very sympathetic in regard to the situation, and although we would perhaps recommend that the Senator from Connecticut introduce a private bill to take care of the New Haven Railroad, this amendment is not the way to do that.

Therefore, we repeat that the Senator from Connecticut is ringing the bell at the wrong address. We greatly sympathize with him, but we also believe that we must support the committee's position.

Mr. BUSH. Mr. President, anticipating that the question of constitutionality would be raised, I asked for an opinion on this subject; and I have before me a memorandum from James P. Radigan, Jr., senior specialist in American public law, on S. 2211, the bill from which the present amendment was extracted. The closing paragraph of his memorandum reads as follows:

> In view of the rules of decision in the foregoing cases it is concluded that the proposed amendment is not in violation of pertinent constitutional limitations.

Specifically, he mentions the uniformity matter which the distinguished Senator from Florida raised and which he said came under article I, section 8 of the Constitution.

I ask unanimous consent that, in support of my position, the opinion of Mr. Radigan be inserted at this point in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

CONSTITUTIONALITY OF S. 2211 OF THE 87TH CONGRESS

S. 2211 adds to the exemptions from the tax on transportation of persons provided by section 4263(a) of the Internal Revenue Code, the following:

"(g) Rail transportation by carriers in receivership.

"The tax imposed by section 4261 shall not apply to:

"(1) any amount paid for transportation by rail furnished solely by a carrier which, at the time such amount is paid, is subject to bankruptcy or reorganization proceedings under the Bankruptcy Act, or

"(2) any amount paid for facilities in connection with such transportation."

This amendment, an excise tax provision, is controlled by article I, section 8, clause 1, of the U.S. Constitution, which requires that excise tax provisions shall be uniform throughout the United States. This requirement is met whenever the tax operates with the same force and effect in every place where the subject of it is found. The uniformity required is "geographical," not "intrinsic," *La Bella Iron Works* v. *United States* (1921), 256 U.S. 377; *Brushaber* v. *Union Pacific Railroad Co.* (1916), 240 U.S. 1; *Head Money Cases* (1884), 142 U.S. 580. The clause adds nothing to restrictions which other clauses of the Constitution may impose upon the power of Congress to select and classify the subjects of taxation, *Fernandez* v. *Weiner* (1945), 326 U.S. 340, 361.

Another provision of the Constitution, the due process clause of the fifth amendment, will be examined. This clause does not limit the taxing power of Congress to the same extent as the equal protection clause of the 14th amendment limits the taxing power of the States.

A claim of unreasonable classification or inequality in the incidence or application of a tax raises no question under the fifth amendment, *Helvering* v. *Lerner Stores Corp.* (1941), 314 U.S. 463.

To be unconstitutional under the due process clause of the fifth amendment, a taxing statute must be so arbitrary as to amount to a confiscation or a clear and gross inequality or injustice, *South Porto Rico Sugar Co.* v. *Buscaglia*, CCA Puerto Rico (1946), 154 F. 2d 96. As neither nonbankrupt nor bankrupt railroads pay the tax, it is inconceivable that nonbankrupt railroads could successfully sustain a claim of confiscation. If, however, the statute made it possible (which would be dependent upon the factual situation) for a bankrupt railroad to have a decided competitive advantage (as, for example, 10 percent lower fares than its competitor), the competitor might claim that the statute was a clear and gross injustice. But, here again there is grave doubt that the incidental advantage to the bankrupt railroad would cause the exemption to be considered so wholly arbitrary and unreasonable in classification as to deny due process. See: *Treat* v. *White* (1901), 181 U.S. 264 (an excise tax on "puts" but not on "calls," and *Billings* v. *United States* (1914), 232 U.S. 261 (a tax on foreign-built yachts but not on domestic yachts).

In view of the rules of decision in the foregoing cases it is concluded that the proposed amendment is not in violation of pertinent constitutional limitations.

Mr. SALTONSTALL. Mr. President, will the Senator yield for a question?

Mr. BUSH. I yield.

Mr. SALTONSTALL. I have before me the Senator's amendment. If the amendment were changed so that the

Government would refund to the New Haven Railroad the money paid in the transportation tax, would it not remove the objections made by the Finance Committee in relation to its constitutionality?

Mr. BUSH. I think the Senator should address that question to the Finance Committee.

Mr. SALTONSTALL. Would the Senator accept that amendment?

Mr. BUSH. I will accept any amendment to my amendment that the committee will approve, if it will take the amendment.

Mr. SMATHERS. Mr. President, it may be that, after the very glowing appeals which have been made, the Finance Committee would do that, but we would have to have the proposal before the committee. I do not believe we could accept it on the floor.

Mr. SALTONSTALL. Does the Senator from Florida get my point?

Mr. SMATHERS. Yes.

Mr. SALTONSTALL. In other words, in view of the constitutional point brought up by the Finance Committee, the money would be collected from the individual and paid to the New Haven, but would be refunded by the Government to the New Haven, which would give the railroad $750,000.

Mr. SMATHERS. If a man were riding from Kansas City to Boston, the Senator would advocate that the refund be ascertained, based on the amount the passenger paid in Kansas City and how much of it would apply to the New Haven line, and that the New Haven line be given that portion of the tax which applied to its line.

Mr. SALTONSTALL. That is correct.

Mr. SMATHERS. Does the Senator believe that could be done by October 1?

Mr. SALTONSTALL. It would help, even if not then, to get that money on the first of the year.

Mr. KEATING. Mr. President, if the Senator will yield, I point out that very few people coming from St. Louis or San Francisco would travel on the New Haven Railroad. These details could be determined later. The amount refunded immediately would be a sizable amount, however.

Mr. SMATHERS. The Senator is a great constitutional lawyer. I am sure he does not seriously contend that the Federal Government has a right to put a tax on the Senator, or on me, or on Mr. X, for riding a railroad or an airline, and then take that money and give it to a private corporation to which the passenger as a rider had no relation? I do not believe the Senator himself would maintain that that was proper legal procedure on the part of the Government of the United States.

Mr. KEATING. If the Senator will yield, there is this distinction: It is not a private corporation; it is being operated now under the Federal Bankruptcy Act, and is therefore in the hands of trustees. So I think there might well be a distinction.

However, with the utmost respect for the distinguished Senator from Massachusetts, I think the constitutional questions inherently submitted in his suggestion might be greater than those in the amendment.

I have no question that the amendment prepared by the distinguished Senator from Connecticut is constitutional. It applies uniformly throughout the United States, even though it applies, by its language, only to concerns which are in bankruptcy. It applies just as much to the Senator from Florida as it does the Senator from New York, to anyone who pays that tax, and is not geographically limited to any set of riders. Anybody who rides over the line would have the benefit of the rebate of that tax.

Mr. BUSH. On the constitutional point there seems to be a difference between us. I have received an excellent opinion in writing, which I have submitted for the RECORD, that it is constitutional. As to whether my amendment would be constitutional, there seems to be a difference of opinion. The distinguished Senator from Florida has some doubt about it. The distinguished Senator from Virginia has some doubts about it. The simple way to resolve the doubts is to take the amendment to conference and see what the House says about it. I would be very glad if the Senator would do that, and we could dispose of the amendment in that way.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Connecticut.

The amendment was rejected.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. McCARTHY. Mr. President, I send an amendment to the desk, which I ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Minnesota will be stated.

The LEGISLATIVE CLERK. It is proposed, on page 4, to strike out line 12 and all that follows through line 20 on page 5, and insert in lieu thereof:

SEC. 4. REPEAL OF COMMUNICATIONS TAX.

(a) REPEAL OF TAX.—Subchapter B of chapter 33 of the Internal Revenue Code of 1954 (relating to tax on communications) is repealed effective July 1, 1962, for services rendered after July 1, 1962, on amounts paid after July 1, 1962.

(b) CONFORMING AMENDMENTS.—On page 2, strike out lines 24 and 25, and on page 3, renumber paragraphs 3 through 8 as paragraphs 2 through 7.

Mr. McCARTHY. Mr. President, this amendment proposes to remove an excise tax on communications that has long outlived whatever justification it had when it was first adopted.

This tax constitutes a direct burden upon business and industry, and also a direct burden upon the nonbusiness taxpayer.

There has been a great deal of discussion and some argument to the effect that we need a reduction in business taxes immediately, and also that there is a need for releasing consumer purchasing power into the American economy. This amendment, if it were adopted, would release approximately $850 million to industry and provide that amount to consumers in the American economy.

In addition, however, it would remove rather significant inequities which have developed through an imposition of the communications tax on business.

The fact that these inequities exist was recognized in a limited way by the committee itself in recommending a tax change which has the effect of reducing communications taxes by about $18 million.

This reduction takes place because it was found that, whereas no tax is imposed upon private communications facilities which are provided by corporations or individuals acting outside ordinary communications channels, when businesses found it profitable or necessary to lease wire services of various kinds from established communications companies, they were required to pay a tax on such facilities and services.

This amendment included in the committee bill would have the effect of equalizing competition between those who lease wire services and those who construct their own. It would provide no relief whatsoever to individual or private businessmen or small corporations that cannot afford to lease wire services. They would be required to pay communications taxes on what services they buy.

It is obvious that this would impose an undue burden upon, and put at a competitive disadvantage, the small businessman or the small firm which cannot afford either to construct its own communications systems or to lease one from an established communications company.

The committee has attempted to remove the inequity as between large firms which can build their own communications systems and those which are not quite so large but can afford to lease the service; but the committee did nothing to remove the greater inequity which may become more of a competitive disadvantage, with respect to the small businessman who must carry on his business through the ordinary means of communication and must pay the 10 percent tax.

In my opinion, this is a good time to remove all communication taxes, since the original wartime justification is no longer present and since there is a need to increase purchasing power in the American economy today. In addition, there is a clear and obvious case of real inequity in the way in which the tax now falls on the business community in particular. This inequity would not be removed by the adoption of the amendment the committee has proposed.

Mr. CARLSON. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. BURDICK in the chair). Does the Senator from Minnesota yield?

Mr. McCARTHY. I yield to the Senator from Kansas.

Mr. CARLSON. Mr. President, I have discussed the amendment with the dis-

tinguished Senator from Minnesota. In past sessions of Congress I have urged the repeal of this tax. I wish I could support the amendment today.

It is estimated that in 1963 the communications excise tax revenue would be $935 million.

I had every hope that we could remove this tax. It is an onerous tax. It is a wartime tax. As I have previously stated, on several occasions I have favored its repeal. In a colloquy with the distinguished chairman of the committee, the Senator from Virginia [Mr. BYRD], it was definitely stated that the tax would be repealed at the earliest opportunity. I had hoped this would be the time, but I must regretfully state that I do not feel we can repeal it on this particular occasion.

I sincerely hope that the distinguished Senator from Minnesota, who is concerned about this tax, as I am, will withdraw the amendment and not press it today. I hope the tax can be removed from the millions of people who face the problem every month. It is a tax which is draining money from our people at a time when our country is confronted with a recession. We should make every effort to give money back to the taxpayers, if we are in some way to get our economy moving again.

Again I plead with the distinguished Senator from Minnesota to withdraw his amendment today. I thank the Senator for yielding.

Mr. McCARTHY. I thank the Senator from Kansas. Mr. President, I have no further presentation to make on the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Minnesota.

Mr. GORE. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield to the Senator from Tennessee.

Mr. GORE. Do I correctly understand that the tax was imposed for the purpose of discouraging the use of communications facilities?

Mr. McCARTHY. One of the purposes of the tax was to discourage the use of communications facilities.

Mr. GORE. The Senator does not feel that that purpose now need be served?

Mr. McCARTHY. I know of no good reason why we should discourage either private communications or business communications in America today. In a sense this is a tax on freedom of speech. We might even make a constitutional argument in favor of repealing it.

In terms of the technical burden on the communications system of America there is no excuse for continuing this tax. There is certainly no economic justification for it. So far as I can see, there is neither an economic nor a social purpose to be served by a continuation of the tax.

If we consider the objective with regard to national defense, which was one of the objectives taken into account when the tax was first imposed, that objective would not be served by a continuation of the tax.

The only excuse which might be used is that we need the revenue. The fact is that strong arguments can be made today that we ought to reduce taxes and to release purchasing power to the American economy. In this case we could immediately, by the action proposed, reduce taxes by $850 million over the next year.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield to the Senator from Colorado.

Mr. CARROLL. I was much interested in the discussion by the able Senator of the possible effect on small business. It is not quite clear to me what would be the difference with respect to those who are able to construct their facilities or lease the facilities, compared to those who would not be able to do so. Will the Senator explain that a little more specifically?

Mr. McCARTHY. The bill as reported by the committee provides that if a person leases wire service from an established communications company he need not pay a tax on the cost of that leased service. Up until this time, if a person leased from an established company he had to pay a tax, but if he could build the facility himself no tax was imposed. The situation has therefore been improved to that extent. The operator who has to lease wire service would not have to pay a tax on the cost of that service.

If the committee amendment is not agreed to, as recommended, it would be necessary for people to pay a tax on leased wire service, as they have in the past.

The fact is that the person who cannot afford to lease a wire service, who has to purchase his service in the ordinary way and use the long distance telephone, must continue to pay a 10-percent tax. This will give a competitor with his own system or with a leased wire service at least a 10-percent advantage insofar as costs of this kind of communications are concerned.

Mr. CARROLL. Under the bill which came from the Committee on Finance, how much reduction in the communications tax is involved?

Mr. McCARTHY. There is an estimated $18 million of taxes now paid on leased wire services, various kinds of radio, and some television communications involved, below what was paid in the last full year.

Mr. CARROLL. What is the situation in regard to the total communications tax reduction in the bill before the Senate?

Mr. McCARTHY. The only reduction provided in the bill, below the taxes which would be imposed if the bill involved a simple extension of existing law, is $18 million. Of course, if we did not pass the bill there would be a rather marked reduction in communications taxes on what we call ordinary telephone service. Between $400 million and $500 million of taxes now imposed would lapse.

The only significant change proposed in the law is with regard to the $18 million of tax relief for those who purchase leased wire or leased communications service.

Mr. CARROLL. I thank the able Senator from Minnesota.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Minnesota.

Mr. BYRD of Virginia. Mr. President, the amendment would bring about a loss of revenue for the Government in the next fiscal year of $893 million. Certainly it ought to have consideration by the committee. If there were such a loss, it would be necessary to borrow the money to pay for the loss. It would add to the deficit.

I hope an amendment of this magnitude will not be agreed to by the Senate without first giving to the Committee on Finance an opportunity to study it. The amendment was not offered in the committee.

I hope the amendment will be rejected.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Minnesota.

The amendment was rejected.

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## INVESTIGATION OF EXPENSE ACCOUNTS OF EXECUTIVES OF MAJOR STEEL COMPANIES

Mr. DWORSHAK. Mr. President, notwithstanding the assurances which come from the White House that our economy is sound and that we are making good progress toward solving many fiscal and economic problems, it is interesting to note that the stock market continues its precipitous plunge.

I do not contend that that is an accurate criterion of the lack of confidence of the business community in this administration, but it would seem to me that if the President, Secretary Dillon, and some of the spokesmen in this body for the administration are really sincere in respect to trying to improve the situation and to avoid the inevitable consequences of complete disruption or a financial debacle, something ought to be done along this line.

Mr. President, recently we have heard many assurances that the President is seeking to create a more healthful climate in the business world. I wish to read a UPI dispatch I just took off the ticker, which may give us some insight into the peculiar mythology which is utilized by this administration to achieve its objectives:

A top secret investigation has been launched by the Justice Department into expense accounts of executives of four major steel companies, the New York World-Telegram and Sun said today.

The Scripps-Howard newspaper said the probe is one of the most far-reaching in Federal history.

Government sources would not comment, the newspaper said, but spokesmen from United States Steel and the Wheeling Steel

Corp. acknowledged certain company records had been subpenaed. The spokesmen said the records dealt with expense accounts of key officers.

The newspaper said the other two firms involved in the investigation are Bethlehem Steel and Jones & Laughlin.

The World-Telegram and Sun said the probe is under direction of the Justice Department's Antitrust Division. It added that officials of the Division would not comment on the probe's purpose, or of the procedure they intend to follow.

The newspaper quoted a United States Steel spokesman as saying:

"The Justice Department has subpenaed the phone numbers, both listed and unlisted, of some executives of United States Steel. It has also subpenaed expense account information in respect to these executives."

Mr. President, what I have read may be a justifiable procedure. But at a time when the greatest need in our country is for a closing of the ranks to reassure business leaders that they will not be persecuted, as many of them have been under the present administration during the past year, we find action of the kind indicated.

I wonder if Bobby Kennedy intends to make a secret investigation of the sugar lobbyists and their nefarious activities during the past month in the National Capital? I wonder if Bobby Kennedy will make a secret investigation of the brain trust which is operating in the White House to the detriment of our country?

Mr. President, instead of subterfuge, inept statements, and misrepresentations coming out of the White House, at a time when the President is supposedly trying to heal the breach which exists today in the business world, it is time for salutary action. I wonder how much longer the American people will be duped, coerced, and intimidated by what we are facing in the New Frontier administration today?

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. DWORSHAK. I yield.

Mr. CARLSON. I had not intended to enter into the discussion today, but I think the threatened economic situation in our Nation is such that it behooves all of us to express some concern about it.

Despite an uninterrupted flow of reassurance from high places as well as an impressive array of dated bullish statistics, signs of impending trouble are multiplying fast.

Last week the Department of Commerce disclosed that in the first quarter of 1962, total corporate profits, as well as manufacturers' profit margins, failed to match those of the previous months.

The Commerce Department also noted a 1-percent decline in retail sales for May. For the second week running, freight carloadings in the 7 days ending June 9 dropped below the comparable levels a year ago. The same week department store sales gained only 1 percent over 1961, the poorest showing of the year.

The National Bureau of Economic Research in its annual report dated June 1962 compared the course of the recovery which began in February 1961 with that of its postwar predecessors. By each of six yardsticks; namely, gross national product, industrial production, nonfarm employment, personal income, retail sales, and corporate profits, the 1961–62 upturn stands were revealed as more or less seriously laggard. Since January the business pickup thus has fallen short, not merely of inflated official yearend predictions, but also of the postwar average.

In all seriousness, I say the time has arrived for the present administration not to put out Pollyanna statements, but to begin to take a serious look at a threatened serious recession that may be difficult if we do not act soon. I thank the Senator.

Mr. DWORSHAK. I thank the Senator from Kansas for his contribution. I shall be glad to submit his comments to Ted Sorensen or other assistants of the President. I know they will censor the statement, and when it finally comes out of the White House, it will paint a glowing picture of the economic progress which we are supposed to be making from day to day and from week to week. I think it is time for leaders and Members of this body, on both sides of the aisle, to take a strong position in support of conserving our fiscal resources and to do what is essential to maintain the integrity and the respect of our country at a time when we are seeking to provide enlightened leadership for the free nations of the world. It is not necessary to point out what mirth and enjoyment there must be in the Kremlin as Soviet leaders read about the imprudence which is becoming a trademark of the present administration.

Mr. GORE. Mr. President, with considerable surprise I have heard that someone in the Kremlin will be elated because of a newspaper report that the possible abuse of someone's expense account, with tax avoidance in connection therewith, may be investigated. With great surprise I have heard two of my distinguished colleagues imply that because of uncertain conditions in the stock market, and otherwise, the administration should desist in its efforts to enforce fairly and equitably the laws enacted by the Congress of the United States. In his peroration the distinguished Senator from Idaho said that it was time for Members of the Senate to take steps to preserve the fiscal—what did the Senator say?

Mr. DWORSHAK. Whatever the Senator cares to quote.

Mr. GORE. I believe the Senator referred to fiscal integrity of our system of government.

Mr. President, our system of taxation is based essentially upon voluntary compliance. I know nothing about the newspaper report to which the distinguished senior Senator from Idaho [Mr. DWORSHAK] and the senior Senator from Kansas [Mr. CARLSON] referred. I know nothing of the purported inquiry which it describes. I am aware of the fact that abuse of expense accounts is one of the most serious, if not the most serious, abuse of our tax laws. President Kennedy has repeatedly called upon the Congress to enact legislation that would eliminate or at least reduce abuse of expense account deductions.

I ask my friends who say now is the time to call off investigations of abuses of expense accounts to go to Miami Beach and see if they do not find every ocean-front suite registered in the name of a corporation. I ask them to go to the harbors where the palatial yachts are tied up to see if they are not operated on expense accounts.

This comes as a strange plea in the name of preserving fiscal integrity. The average man and woman in America, working by day or by night, pays his taxes by the week in small mites and amounts. They do so voluntarily. They do so under the terms of laws enacted by Congress. If the people of the country come to the conclusion that certain privileged individuals with or without political champions and protection constantly avoid and abuse the tax laws, and avoid paying their fair share, I say that I am concerned that the fiscal integrity of the country will be in danger. Our system is essentially based upon the honesty of the people in reporting their earnings and paying their taxes on that basis.

Yes, this comes as a strange plea, a very strange plea indeed—untimely, unwarranted, ill advised.

Mr. DWORSHAK. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. DWORSHAK. Certainly the Senator would not imply that the only alleged abuses of the expense accounts are to be found in the steel industry among the officials of that business.

Mr. GORE. I made no such statement; nor did any statement of mine lead to such an inference, in my opinion.

Mr. DWORSHAK. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. DWORSHAK. I share the concern of the Senator from Tennessee that the Senate ought to proceed with tax legislation to close loopholes, if they exist, whether they be in the steel industry, in AFL–CIO, or in any other industry in the entire country. I believe the Senator from Tennessee will agree with me that it is time not only for specific action against a specific industry, but rather for a closing of all loopholes; but if we are to close loopholes, the action ought to be taken on a broad base so that we can expose all of the violations, if they exist.

Mr. GORE. I do not wish to join in the expression of any sentiment that the administration or the Internal Revenue Service should lay off, so to speak, on tax avoidance abuses with reference to expense accounts merely because there has been a flurry and disturbance in the stock market, or for any other reason. People owe their taxes legally and lawfully by virtue of acts for which the Senator has voted. There is no justification for tax avoidance or tax evasion. The abuses have been great.

I am glad the Senator from Idaho has stated that he will vote to close loopholes. However I am surprised that he would suggest or imply that the administration should not prosecute persons who have been found to be guilty of tax evasion. I am surprised that he would suggest or imply that the administration should refrain from investigation of possible violations and from enforcement of the law.

Mr. DWORSHAK. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. DWORSHAK. The Senator from Idaho had no intention whatever of making any charge that tax avoidance should be tolerated in any way. The Senator from Idaho is merely trying to point out that there should be no discrimination based on hatred toward the steel industry which is so apparent in the White House at a time when our economic structure is worsening day by day.

Mr. GORE. Mr. President, I do not conceive that there is any hatred for the steel industry or for any other industry in the White House. It seems to me that there are many indications to the contrary. I know of no evidence which the Senator from Idaho can cite that there is hatred in the White House for the steel industry or for any other segment of our society. Judging from my observation of national functions and also the personal attitude of the President of the United States, and the staff serving under him, there is genuine concern for the welfare and progress and prosperity of our entire economy, including all of its segments.

Mr. DWORSHAK. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. DWORSHAK. I was merely relying upon what was allegedly said to be the President's statement based on what "Pop" Kennedy had told him about businessmen. It may not be true, but it was reported as coming from the White House.

Mr. GORE. The Senator says he is merely relying upon a newspaper report of what somebody said that the President said to him that his father upon some distant occasion remarked, whether it was correctly reported or not, whether it was said facetiously or not; but upon that basis the Senator charges that there is hatred in the White House for the steel industry.

I hope the Senator will not persist and will not insist that there is hatred in the White House for any major segment of our society. I do not think that hatred for any major segment of our society exists in the White House now or has existed in the White House at any time since I have been living.

Mr. DWORSHAK. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. DWORSHAK. In a spirit of fairplay I will be glad to change the word "hatred" to "hostility."

Mr. GORE. That is some improvement. If the Senator will think about it a little further, he might make some further modification.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. CARROLL. I commend the able Senator from Tennessee. He is absolutely correct in his analysis of the news item that has been reported to the Senate by the Senator from Idaho. If I recall the names in the press article, they were steel companies—Bethlehem and Jones, Laughlin and others. The probable truth is that the Department of Justice is subpenaing the records, not because of a desire to investigate their expense accounts for tax evasion; rather, if my memory serves me correctly, it is because an indictment was returned against those firms, and they are in the process of being prosecuted by the Government, for antitrust violation.

Mr. GORE. Does the Senator believe that this prosecution ought to be withdrawn and that the indictment, returned by American citizens, should be withdrawn?

Mr. CARROLL. I was delighted to have the Senator from Idaho modify his reference to hatred and hostility. I think he should also modify his use of the word "stupidity." I will tell the Senator why. The truth is that these particular firms—and I believe I am right in this—were under investigation months before the recent incident between Mr. Blough and the President of the United States. It was unfortunate, I thought, that at that very time, perhaps within a week or a few days, the grand jury should return indictments against certain steel companies. One thing is sure. Under our legal system, when the grand jury completes its work, it does not pay attention to what politicians are talking about or what the political national issues are. When they complete their work, they report. In this case, the report was a true bill, an indictment.

Mr. GORE. The indictment was for——

Mr. CARROLL. As I recall it was for a violation of the antitrust laws of this Nation, so the grand jury said.

Mr. GORE. For violations of law which occurred long before and which had no connection with the recent price increase in steel.

Mr. CARROLL. Exactly. I thought I ought to make this statement for the sake of the RECORD, because I have respect for the senior Senator from Idaho. Our differences of opinion are a part of the two-party system. I thought I sensed, as I heard his statement, a sort of sidewinding attack upon the Democratic Party and the President of the United States. The Senator has a perfect right to do that, but I thought I ought to clarify the RECORD by stating that undoubtedly the records were obtained by a subpena duces tecum, under a court order, to determine from the expense accounts whether the actions were in the nature of a conspiracy or if there was a violation of the antitrust laws of the Nation. In my opinion, the purpose was not to investigate whether there was any evasion of taxes, but to determine whether a conspiracy existed. I think the true bill alleged a conspiracy. This is my judgment. If I am wrong, I shall be glad to correct my remarks.

Mr. DWORSHAK. Mr. President, will the Senator from Tennessee yield?

Mr. GORE. I yield.

Mr. DWORSHAK. I think I should change my use of the word "stupidity" to "imprudence" if the Senator from Tennessee will change the word "prosecution" to "persecution."

Mr. GORE. Mr. President, I have not used any words which I desire to change. I shall be glad to yield to the Senator from Idaho to make any further revision of his remarks that he desires. I ask unanimous consent that he may have the privilege of revising his remarks in such way as he sees fit.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. ELLENDER. Mr. President, much has been said about the decline in the stock market. Has the Senator from Tennessee ever given thought to what makes the market fluctuate? What is the main factor affecting stock sales? It strikes me that it should be the return a stockholder gets on his stock, and that is usually the determining factor among the conservative buyers who do not purchase stocks merely to gamble or speculate.

U.S. News & World Report for June 25, 1962, contains a summary of the yields of 15 stocks. For example, the peak price of the stock of Aluminum Co. of America between 1959 and 1962 was $115.75. The yield at that peak price was 1.04 percent.

As of June 14, 1962, the price of the stock of Aluminum Co. of America had declined to $50.75, thereby making the return 2.36 percent, rather than 1.04 percent.

Mr. GORE. I still would not buy it. Would the Senator from Louisiana?

Mr. ELLENDER. Of course not; the price is still too high.

Mr. GORE. The profit motive is an impelling one; but the Senator knows, of course, that although persons have the privilege of playing a little fast poker, they must realize the kind of game they are in when they indulge in it.

Mr. ELLENDER. Another example is International Business Machines. Its peak selling price on the market between 1959 and 1962 was $607, and its yield was 0.38 percent. On June 14, 1962, the price had dropped to $306, the yield as of that date being 0.98 percent—less than 1 percent.

It strikes me that all such stocks are priced too high. The market was bound to break at some time or other.

Mr. President, I ask unanimous consent to have printed at this point in my remarks the table entitled "Yields Climb as Prices Drop," published in U.S. News & World Report for June 25, 1962. The

table shows that as a result of the recent market break, the yields of most stocks have increased considerably.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

*Yields climb as prices drop*

| | At market peak, 1959–62 | | June 14, 1962 | |
|---|---|---|---|---|
| | Price (dollars) | Yield (percent) | Price (dollars) | Yield (percent) |
| Aluminum Co. of America | 115¾ | 1.04 | 50¾ | 2.36 |
| American Can | 50⅞ | 3.93 | 40½ | 4.94 |
| American Telephone & Telegraph | 139⅝ | 2.47 | 101½ | 3.55 |
| American Tobacco | 55¾ | 2.51 | 30¼ | 4.96 |
| Anaconda Co | 74⅞ | 3.34 | 40½ | 6.17 |
| Bethlehem Steel | 59⅛ | 4.06 | 34 | 7.06 |
| Borg-Warner | 49⅛ | 4.07 | 38⅛ | 5.25 |
| Burlington Industries | 26¼ | 3.81 | 20¼ | 4.94 |
| Firestone Tire & Rubber | 51¼ | 1.95 | 35¼ | 2.84 |
| Ford Motor | 117½ | 2.55 | 79⅜ | 4.54 |
| General Electric | 90⅞ | 2.00 | 60⅞ | 3.29 |
| General Motors | 58⅛ | 3.40 | 48¾ | 5.18 |
| International Business Machines | 607 | .38 | 306 | .98 |
| International Paper | 47¼ | 2.12 | 26⅛ | 4.02 |
| Magnavox | 47⅝ | .88 | 29⅜ | 1.70 |
| National Cash Register | 142½ | .84 | 78⅜ | 1.52 |
| North American Aviation | 72⅛ | 2.77 | 53⅞ | 3.71 |
| Procter & Gamble | 101½ | 1.26 | 62 | 2.42 |
| Reynolds Metals | 81⅞ | .59 | 22 | 2.27 |
| Sears, Roebuck | 94¾ | 1.48 | 65⅞ | 2.50 |
| Standard Oil of New Jersey | 59⅛ | 3.81 | 49⅛ | 5.09 |
| Texaco | 59⅝ | 2.60 | 49 | 3.88 |
| Union Carbide | 150½ | 2.39 | 89⅞ | 4.01 |
| United States Steel | 108⅞ | 2.76 | 47⅝ | 6.30 |

Mr. ELLENDER. Mr. President, to return to my original question: What is the primary factor which decides the price of a stock, and what makes that price fluctuate? When Mr. Eisenhower had his heart attack, I seem to recall that within a space of 48 hours the stock market dropped $16 or $17 billion. Surely the market was overpriced then, as it has been in recent weeks, and as it is even now. And it will be overpriced any time stock prices become completely divorced from their yields. Stock market gamblers realize this, whether they admit it or not. It is only when the buyers become jittery, as they should become sooner, that the market drops and forces them to see the truth.

Mr. CARLSON. Mr. President, I wish to discuss the amendment in section 4 of the bill. I offered the amendment in committee.

This amendment is made to restore freedom of choice to businessmen who need and use private line comunications services. The present 10-percent excise tax on these services, when provided by common carriers, abridges that freedom of choice for thousands upon thousands of American businessmen—some large but many small—in every part of the country.

In 1960 the Federal Communications Commission issued an order which in effect gave the businessmen the option I refer to. When he wants to set up private communications facilities to tie together his offices and plants and warehouses the businessman can buy the system outright and operate it himself. Or he can lease a private system from a common carrier—whichever suits him best. But the 10-percent excise tax on common-carrier-provided services seriously affects this freedom of choice.

THE BUSINESSMAN'S PROBLEM

Modern-day business requires modern communications. Not only do businesses have to talk by telephone, they must send written messages and copies of documents. With the recent use of computers, business must connect these machines in offices many miles apart to exchange information. But when these businesses go shopping for private communications they must pay a 10 percent penalty—unless they are big enough or have enough capital to build their own systems on which they do not pay the excise tax.

EXAMPLE

Let me illustrate. A community antenna television company—of which there are about 800 over the country—wants to bring television service to a town. It can build its own antenna, coaxial cable lines and other equipment or it can buy service from a local common carrier. If it can afford to build its own facilities it pays no excise tax. If it cannot afford to build, it must pay the 10-percent communications excise tax each month.

SMALL BUSINESS MOST AFFECTED

The big customer perhaps can afford to buy his own private communications facilities on which he does not pay a 10-percent excise tax. At the same time the small businessman is not likely to have the capital to tie up in this type of facility. So in many cases the small businessman has only one choice: he goes to the common carriers and he pays more than the large business that can afford to buy a system. Of course, if the small businessman's credit is good he could go to a bank and try to raise the money to build a private communications system. But here again many small businessmen cannot efficiently use all of the capacity provided by a private communications system. There are many private-line users who would benefit by the enactment of this legislation. The great majority of these users are small businesses.

HOW MUCH WILL REPEAL CUT FEDERAL REVENUES?

In fiscal 1961 communications excise tax revenues provided $826 million. In fiscal 1963 it is estimated that communications excise tax revenues will provide $935 million. The net cost to the Government of repealing this tax on private-line services is estimated at approximately $9 million a year. This is a small price to pay for restoring full freedom of choice to these thousands of businessmen who need and use private communications services. Clearly the effect of this revenue loss will never be noticed in view of the expected increase in revenues from the remainder of these taxes.

What services will no longer be taxed? Intercity private line telephone channels. Private line teletypewriter channels. Educational television channels. Community antenna television channels. Private line data transmission channels. A "private line or channel" is a direct communications path between two or more specified and preselected points, set aside for the exclusive use of the customer for whatever purposes he chooses; for example, voice, data, record.

What services will remain taxed? Local telephone service, including private branch exchange service extension telephones and other additional equipment. Toll telephone messages. Telegraph messages. Teletypewriter exchange service, including Telex Information services, such as race track and other sporting results, stock quotation, market quotation, burglar and fire alarm services. The section of the law which imposes a tax on information services is not affected by the amendment.

What business will be benefited by the change? Any business which has a need for point-to-point communications. Examples are manufacturing concerns—between plants or between factory and warehouses, data transmission for order handling. Retail business—between main store and branches, between stores and warehouses or distribution points, data transmission for administrative purposes. Electric and gas utilities—communication services for maintenance, data transmission for billing and accounting purposes. Community antenna television systems—channels to carry television programs from a point where they can satisfactorily be received to the homes of subscribers in locations otherwise unable to receive these programs.

Common carriers, radio broadcasters, and communications companies are now exempt from tax on practically all of the services which would be entirely exempted under this proposed legislation. This somewhat illogical situation will therefore be corrected.

The residential and small business customer will also be helped indirectly by this legislation. To the extent that larger customers' business is lost to communications carriers, this "cream skimming" results in less efficient use of communications plant. The lowest rates for all customers depend on making the most efficient use of this plant.

The Government and communications companies will benefit from this legislation because it will remove those services from tax which presently make up a very large portion of the administrative

and interpretive problems encountered by the Internal Revenue Service and by the communications companies.

## EXTENSION OF EXISTING CORPORATE AND EXCISE-TAX RATES

The Senate resumed the consideration of the bill (H.R. 11879) to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, and for other purposes.

Mr. BENNETT. Mr. President, I think one of the most beneficial features of H.R. 11879 is the provision to terminate the tax on passenger travel by rail or bus, and to reduce that tax by 50 percent for air travel. I am particularly concerned about the competitive position of our railroads.

Railroad employment has dropped from 1,139,753 in 1941, the year the excise tax first went into effect, to 717,543 today, a decline of 37 percent. The rates have varied between 5 and 15 percent over that period and have been at 10 percent since 1954. The tax burden of railroads is one contributing factor to this decline. Railroads are already paying heavy State and local property taxes on their railroad bed and equipment, and it is well known that they are faced with substantial financial problems at the present time.

Whether there is any improved relative competitive position within the commercial transportation industry or not, I do think that the removal of this excise tax will encourage intercity rail travel, both because it will be cheaper—or if the railroads choose to seek rate increases to improve their equipment, the service will be more comfortable and convenient—and it may encourage individuals who might otherwise drive their autos to take a comfortable train ride instead.

It does not matter to me what date we finally agree on to make this tax termination effective, whether it be July 1 or October 1, and I am willing to have termination or reduction go into effect at the same time for all modes of transportation, but what does matter is that we act on this provision.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill (H.R. 11879) was read the third time, and passed.

Mr. BYRD of Virginia. Mr. President, I move that the Senate reconsider the vote by which the bill was passed.

Mr. SMATHERS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BYRD of Virginia. Mr. President, I move that the Senate insist upon its amendments and request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer (Mr. BURDICK in the chair) appointed Mr. BYRD of Virginia, Mr. KERR, Mr. LONG of LOUISIANA, Mr. WILLIAMS of Delaware, and Mr. CARLSON conferees on the part of the Senate.

## LUMP-SUM READJUSTMENT PAYMENTS FOR MEMBERS OF RESERVE COMPONENTS

Mr. SMATHERS. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1077, H.R. 8773.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 8773) to amend section 265 of the Armed Forces Reserve Act of 1952, relating to lump-sum readjustment payments for members of the reserve components who are involuntarily released from active duty and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Florida.

The motion was agreed to; and the Senate proceeded to consider the bill which had been reported from the Committee on Armed Services, with an amendment, to strike out all after the enacting clause and insert:

That section 265 of the Armed Forces Reserve Act of 1952, as amended (50 U.S.C. 1015), is amended as follows:

(1) Subsection (a) is amended to read as follows:

"(a) A member of a reserve component who is involuntarily released from active duty after the date of enactment of this amended subsection and after having completed immediately prior to such release at least five years of continuous active duty, except for breaks in service of not more than thirty days, as either an officer, warrant officer, or enlisted person, is entitled to a lump-sum readjustment payment computed on the basis of two months' basic pay in the grade in which he is serving at the time of release from active duty for each year of active service (other than in time of war or of national emergency hereafter declared by Congress) ending at the close of the eighteenth year. However, the readjustment payment of a member who is released from active duty because his performance of duty has fallen below standards prescribed by the appropriate Secretary or because his retention is not clearly consistent with the interests of national security, shall be computed on the basis of one-half of one month's pay. For the purposes of computing the amount of the readjustment payment, a part of a year that is six months or more is counted as a whole year, and a part of a year that is less than six months is disregarded, and any prior period for which readjustment pay has been received under any other provision of law shall be excluded. No person covered by this subsection may be paid a total of more than two years' basic pay in the grade in which he is serving at the time of release or $15,000, whichever is the lesser. There shall be deducted from any lump-sum readjustment payment under this subsection any mustering-out pay received under the Mustering-Out Payment Act of 1944, the Veterans' Readjustment Assistance Act of 1952, or chapter 43 of title 38, United States Code."

(2) The second sentence of subsection (b)(5) is amended to read as follows: "However, such a person is entitled—

"(A) to receive readjustment pay under this section even though he is also entitled to be paid under section 680 of title 10, United States Code; and

"(B) with respect to severance pay to which he is entitled under any provision of law other than section 680 of that title, to elect either to receive that severance pay or to receive readjustment pay under this section, but not both."

(3) Subsection (b)(6) is amended to read as follows:

"(6) Except as provided in this clause, a person who upon release from active duty is eligible for disability compensation under laws administered by the Veterans' Administration. However, such a person may receive readjustment pay under this section in addition to disability compensation subject to deduction from the disability compensation of an amount equal to 75 percent of the readjustment pay. Receipt of readjustment pay shall not deprive a person of any part of any disability compensation to which he may become entitled, on the basis of subsequent service, under laws administered by the Veterans' Administration."

(4) Subsection (c) is amended to read as follows:

"(c) A member of a reserve component who has received a readjustment payment under this section after the date of enactment of this amended subsection and who qualifies for retired pay under any provision of title 10 or title 14, United States Code, that authorizes his retirement upon completion of 20 years of active service, may receive that pay subject to the immediate deduction from that pay of an amount equal to 75 percent of the amount of the readjustment payment, without interest."

(5) Subsection (e) is repealed.

SEC. 2. Section 680(a)(2) of title 10, United States Code, is amended by striking out the word "or" before the designation "(C)" and inserting before the period at the end the words ", or (D) released because he has been considered at least twice and has not been recommended for promotion to the next higher grade or because he is considered as having failed of selection for promotion to the next higher grade and has not been recommended for promotion to that grade, under conditions that would require the release or separation of a Reserve officer who is not serving under such agreement".

SEC. 3. Nowithstanding an election under section 265(b)(6) of the Armed Forces Reserve Act of 1952 (50 U.S.C. 1016(b)(6)), before the date of enactment of this Act, to receive a readjustment payment under that section, any person who made such an election may be awarded disability compensation to which he is otherwise entitled, subject to deduction as provided in that section, as amended by this Act. However, such an award may not become effective for any period before the date of enactment of this Act.

SEC. 4. (a) Sections 1167(d), 3303(d), and 8303(d) of title 10, United States Code, are each amended by inserting the following new sentence at the end thereof: "However, no person is entitled to severance pay under this section in an amount that is more than $15,000."

(b) Sections 6382(c), 6383(f), 6384(b), and 6401(b) of title 10, United States Code, section 437(f) of title 14, United States Code, and sections 112(g) and 212(g) of the Officers Personnel Act of 1947 (61 Stat. 808, 825) are each amended by inserting the following new sentence at the end thereof: "However, no person is entitled to a lump-sum payment under this section that is more than $15,000."

Mr. RUSSELL. Mr. President, the principal objective of the bill is to authorize an increase in the payments to members of reserve components who are involuntarily released to inactive duty.

Regular officers who are involuntarily separated in accordance with existing law are generally authorized severance pay of 2 months' basic pay for each year of active duty, with the maximum severance pay being 2 years' basic pay. Section 265 of the Armed Forces Reserve Act of 1952, as amended, authorizes a lump-sum readjustment payment to members of the Reserve components who are involuntarily released from active duty after having completed, immediately prior to release, at least 5 years of continuous active duty. Under existing law the readjustment payment to members of the Reserves is at the rate of one-half of 1 month's basic pay for each year of active duty. This bill would increase the readjustment payment of reservists involuntarily released to 2 months' basic pay for each year of active duty and thus this payment would be brought into parity with that received by Regular officers involuntarily released from active duty before qualifying for retirement pay.

I am sure all Senators are aware of the fact that no retirement compensation can be paid, except on account of disability, to any person who has not served 20 years.

The Armed Forces are heavily dependent on reservists for officer strength, particularly in the junior grades. The progressively limited requirement for officers in the more senior grades forces the release of many Reserve officers from active duty before they qualify for the immediate receipt of retired pay. Partially because of uncertain tenure the Department of Defense has had difficulties in persuading young Reserve officers to remain on active duty after their obligated tours have expired. The increased readjustment payments that this bill would authorize should afford an improved status for members of the Reserve components on active duty and hopefully it will cause more of them to remain on active duty after the expiration of their obligated service. In addition, the increased payment would provide more equitable treatment for those long-term reservists who are released to inactive duty before qualifying for the immediate receipt of retired pay.

As a safeguard against excessive payments the Committee has recommended that the maximum readjustment payment be 2 years' basic pay, or $15,000, whichever is the lesser. The Regular officers who receive severance payments for separations other than for physical disability ordinarily are in grades not above that of major or the equivalent. Without the $15,000 limitation it is conceivable that a readjustment payment to a Reserve major general with 16 years of service for pay purposes would have been as high as $28,800. Although such a payment probably would have been exceptional, the Committee adopted a maximum of $15,000 in the belief that this limitation would not impair the basic objectives of the bill. To avoid any possible disparity, the Committee also limits provisions of law authorizing severance payments for Regular officers on releases other than for physical disability by establishing a maximum of $15,000 on such payments.

Some of the Reserve officers who are involuntarily released from active duty after having served 14 or more years are permitted under present procedures to enlist for a period long enough to permit them to complete 20 years of active duty and to qualify for the immediate receipt of retired pay. The present readjustment payment to these officers is one-half of 1 month's pay for each year of active duty. This amount is not required to be repaid if the reservists qualify for retired pay after serving an enlistment long enough to complete 20 years of active service. Since this bill increases the readjustment payments to 2 months' pay for each year served, one of the questions presented was the extent to which the readjustment pay should be repaid by those reservists who subsequently become entitled to the immediate receipt of retired pay. The committee recommendation is that in such cases three-fourths of the readjustment payment must be repaid before the reservist could receive retired pay. The reason for not requiring full repayment is that without considering the taxes paid on the readjustment pay a reservist would otherwise be required to repay more than the net he had received as readjustment pay. Since the tax consequences for different reservists would vary, depending upon their other income, the committee decided that a three-fourths repayment is reasonable.

The bill also provides some relief to those persons who have been disadvantaged because of the requirement of existing law that a reservist must make an irrevocable election between readjustment pay and disability compensation from the Veterans' Administration. At the time of their release from active duty, some reservists have had latent disabilities, without realizing that these disabilities will later be found to be service connected. Reservists in these circumstances who have received readjustment pay are prohibited from receiving disability compensation determined to be due them thereafter from the Veterans' Administration. The proposed solution to this problem is to permit receipt of the Veterans' Administration compensation after deduction of three-fourths of the readjustment pay previously received. Again, the fractional recovery is proposed in order to take into account the tax paid on the original payment and to avoid recoupment of an amount in excess of the net received after readjustment pay. The bill prevents retroactive payments of compensation from the Veterans' Administration, but permits prospective receipt of this compensation subject to the deduction of three-fourths of the readjustment pay previously received.

The Department of Defense estimates that the bill will cost approximately $8 million for each of the next 4 years.

I shall be glad to attempt to answer questions about the bill. If there are no questions, I urge that the bill be approved.

As I have stated, the bill merely proposes to equalize the status of Reserve officers with that of those in the Regular Establishment, when they are separated involuntarily from the service after 5 years of active duty.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

Mrs. SMITH of Maine. Mr. President, will the Senator from Georgia yield?

Mr. RUSSELL. I am delighted to yield to the distinguished Senator from Maine.

Mrs. SMITH of Maine. Mr. President, I rise to a point of personal privilege in connection with this bill.

Last year, Mr. President, some person or persons put out an inspired report that I was blocking the Senate from acting on this bill.

Such a report was false and misleading—and obviously designed to reflect blame upon me for what other Senators were doing.

The truth is that last year, on a Tuesday afternoon, the distinguished majority leader stated to the minority leadership that he would motion up the bill so that I could offer an amendment to it.

The next day the majority leader told me that the bill would be taken up that day and that my amendment would be opposed on the floor. I welcomed this, as I was for the bill, and I also wanted to get a vote on my amendment.

But later that day—at 6:20 p.m.—the distinguished majority leader called me and informed me that some senior Senators had requested that the bill not be motioned up if any amendments were going to be offered to it.

That is exactly the way the matter has stood until today and since last year. This bill has been blocked by the senior Senators all this time—and not by me—contrary to the inspired false reports put out against me.

Mr. MANSFIELD. Mr. President, will the Senator from Georgia yield to me?

Mr. RUSSELL. First, Mr. President, I wish to say that certainly I had not heard any statement to the effect that the Senator from Maine had blocked the bill.

She had stated that she intended to offer an amendment to it; and, I say very frankly, I asked the majority leader not to call up the bill at that time, because I had told the distinguished Senator from Washington [Mr. JACKSON] that we would have hearings on the proposed recomputation amendment before it was voted on, on the floor; and therefore I asked the distinguished majority leader not to have the bill taken up at that time, until we could have some hearings in the committee or could make some disposition in the committee of the recomputation amendment.

I do not know who is responsible for the rumors that the Senator from Maine says were disseminated; but certainly there was no basis or foundation for them, so far as I know.

Mrs. SMITH of Maine. Mr. President, I should like to advise the distinguished chairman of the Armed Services Committee that the story has been published at length, and many times, in the Army Times, the Navy Times, and the Air Force Times, both editorially and in news articles.

Mr. RUSSELL. I am sorry about that, although I must regretfully advise the

Senator from Maine that I do not generally have time to read those publications, and I have not seen the editorials or articles to which she has referred.

Mr. MANSFIELD. Mr. President, will the Senator from Georgia yield to me?

Mr. RUSSELL. I yield.

Mr. MANSFIELD. I wish to support what both the distinguished Senator from Maine and the distinguished Senator from Georgia have said; and I express the hope that the Army Times, the Navy Times, and the Air Force Times, and all the other "Times" magazines there are, which may have been publishing such allegations, will print retractions, because I can state, here on the floor, that at no time and under no circumstances did the distinguished senior Senator from Maine [Mrs. SMITH] seek to block this legislation.

Mrs. SMITH of Maine. I thank the distinguished majority leader very much.

Mr. RUSSELL. Mr. President, I should like to have seen the articles. Occasionally I glance at the Army Times and the Navy Times, but I have not seen such articles.

However, I can state unhesitatingly that the delay in the consideration of the bill at the time to which the Senator from Maine has referred grew out of a conference which I had with the Senator from Washington [Mr. JACKSON]. I went to the Senator from Montana [Mr. MANSFIELD] and asked him not to bring up the bill until we had had an opportunity to discuss it in the Armed Services Committee. I did not know there was any secret about that. I told at least half a dozen members of the Armed Services Committee the same thing.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The question now is on agreeing to the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed, and the bill to be read the third time.

The bill (H.R. 8773) was read the third time, and passed.

## INCREASE IN PER DIEM RATES FOR TRAVEL EXPENSES UNDER THE CAREER COMPENSATION ACT OF 1949

Mr. SMATHERS. Mr. President, I move that the Senate proceed to the consideration of Calendar 1006, House bill 7723.

The PRESIDING OFFICER. The bill will be read by title, for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 7723) to amend Section 303(a) of the Career Compensation Act of 1949 by increasing per diem rates and to provide reimbursement under certain circumstances for actual expenses incident to travel.

Mr. RUSSELL. Mr. President, the purpose of the bill is to equalize the per diem allowance maximum in lieu of subsistence for members of the Uniformed Services with that of the Civil Service.

It will be recalled that last year Congress enacted legislation which increased from $12 to $16 a day the maximum per diem allowance of the employees in the civil branch of the Government.

The bill would permit the same maximum, as well as the new authority which was allowed as to reimbursement of travel expenses, to those in the military service, in order to conform to the allowance to civilian employees.

The situation which now exists is that when military personnel travel in conjunction with civilian personnel on the same missions, the civilian personnel are allowed $4 more for expenses, per day, than are the military personnel. That is a manifest injustice; and this bill to remedy that situation should be enacted.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Florida that the Senate proceed to consider the bill.

The motion was agreed to; and the Senate proceeded to consider the bill (H.R. 7723) to amend section 303(a) of the Career Compensation Act of 1949 by increasing per diem rates and to provide reimbursement under certain circumstances for actual expenses incident to travel.

Mrs. SMITH of Maine. Mr. President, I shall not repeat the details of my point of personal privilege; but the same statement I made in regard to the previous bill applies to this bill, and similar stories have been spread.

Mr. MANSFIELD. Mr. President, will the Senator from Maine yield to me?

Mrs. SMITH of Maine. I yield.

Mr. MANSFIELD. Mr. President, I wish to repeat—and even more vigorously, if possible—what I said concerning the allegations made against the Senator from Maine. They are unfounded, and they have no basis whatsoever.

Furthermore, if anyone should be charged with the responsibility for the failure to take up these bills at that time, I think it is the one who is charged with the responsibility for calling up the bills for consideration by the Senate.

Mrs. SMITH of Maine. Mr. President, again I thank the majority leader for his customarily fair treatment of all Members of the Senate.

Mr. RUSSELL. Mr. President, I merely wish to say that at that time the majority leader informed me that the Senator from Maine told him she wished to be notified when the bill was to be called up, because she desired to offer the recomputation allowance amendment to it; and I told him that I did not wish to have the recomputation allowance amendment reach the floor until the committee had had an opportunity to consider it and to take some action on it.

I therefore asked him to defer the consideration of the bill until the committee could take some action on it. I thought that was the proper course to pursue, and I think it is.

The PRESIDING OFFICER. The bill is open to amendment.

If there be no amendment to be proposed, the question is on the third reading of the bill.

The bill (H.R. 7723) was ordered to a third reading, was read the third time, and passed.

Mr. RUSSELL. Mr. President, I ask unanimous consent that Calendar No. 1020, Senate bill 2554, which is the Senate bill dealing with the same subject of equalizing the per diem rates offered by the Senator from Nevada [Mr. CANNON], be indefinitely postponed.

The PRESIDING OFFICER. Without objection, it is so ordered.

## GREETINGS TO PRESIDENT-ELECT GUILLERMO VALENCIA OF COLOMBIA AND HIS WIFE

Mr. GORE. Mr. President, I submit a resolution, which I now read and ask unanimous consent for its immediate consideration:

Whereas the newly elected President of Colombia, the Honorable Guillermo Valencia, is now a visitor to the United States; and

Whereas Mr. Valencia has served with distinction for 20 consecutive years as a Senator in his country, from which position His Excellency was elected President, both of which facts Members of the United States Senate have taken due and appreciative notice; and

Whereas the gracious wife and companion of President-elect Valencia is now hospitalized in the United States: Be it

*Resolved,* That the Senate sends to Mrs. Valencia greetings and welcome, and best wishes for early recovery; and be it further

*Resolved,* That a bouquet of American roses be purchased from the contingent fund of the Senate and be taken by special courier to Mrs. Valencia, as a token of the Senate's esteem for her, for her distinguished husband, and for the people of Colombia.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 355) was agreed to.

## FLATHEAD INDIAN IRRIGATION PROJECT, MONTANA

Mr. SMATHERS. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1578, Senate bill 1912.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (S. 1912) to increase the appropriation authorization for the completion of the construction of the irrigation and power systems of the Flathead Indian irrigation project, Montana.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Florida.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Interior and Insular Affairs with an amendment in line 5, to strike out "$4,100,000" and insert "$6,200,000", so as to make the bill read:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subsection 5(c) of the Act of May 25, 1948 (62

Stat. 269), is hereby amended by changing $1,000,000 to $6,200,000.

The amendment was agreed to.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD at this point an excerpt from the report explaining the purpose and need for this particular legislation.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE

The purpose of S. 1912, introduced by Senators METCALF and MANSFIELD, of Montana, is to increase the appropriation authorization for the completion of the construction of the irrigation and power systems of the Flathead Indian irrigation project, Montana. Additional construction is necessary to complete the irrigation and power facilities through extension and rehabilitation of the canal and lateral systems and of the power and electric service lines.

This project on the Flathead Indian Reservation was begun in 1909, and various acts of Congress through the years have provided appropriations for the continuation of the project.

The project consists of two main features: (1) The irrigation system which includes 138,194.55 acres of irrigable lands (a total of $11,307,904.66 had been invested in the irrigation system as of October 31, 1960), and (2) the power distribution system and small generating plant in which approximately $1,900,447.03 of reimbursable funds, plus $875,854.62 of earned power revenues, or a total of $2,776,301.65, have been invested.

Approximately $2,615,896.70 of the investment in the irrigation system and $70,532.73 of the power investment have been repaid. Within the irrigation system 110,000 acres are presently assessable.

The irrigation system already constructed consists of six main canals totaling 194 miles, 775 miles of laterals, and three pumping plants with lifts of 335, 43, and 79 feet. The power system consists of 420 miles of transmission and distribution lines, a 320-kilowatt generating plant, and several substations. The power system serves some 5,400 customers within the Indian reservation.

The PRESIDING OFFICER. The bill is open to further amendment.

If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill (S. 1912) was ordered to be engrossed for a third reading, was read the third time, and passed.

## CONVEYANCE OF CERTAIN REAL PROPERTY OF THE UNITED STATES TO THE CAROLINA POWER & LIGHT CO.

Mr. SMATHERS. Mr. President, I move that the Senate proceed to the consideration of Calender No. 1579, House bill 3840.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 3840) to provide for the conveyance of certain real property of the United States to the Carolina Power & Light Co.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Florida.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Interior and Insular Affairs with an amendment on page 3, after line 14, to insert a new section, as follows:

SEC. 3. The conveyance issued under this Act shall be subject to the right of the public to have free and unrestricted access to, and use of, the land and the lake thereon for boating, fishing, swimming, and other recreation to the extent such access and use are consistent with the basic purpose of the lake as a source of uncontaminated water for industrial purposes.

The amendment was agreed to.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to insert at this point in the RECORD an explanation of the bill under consideration as contained in the report on the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE OF MEASURE

The purpose of H.R. 3840, as amended, is to direct the Secretary of the Interior to sell to the Carolina Power & Light Co., of Raleigh, N.C., 112 acres of specifically described federally owned lands for use as a cooling water lake in connection with operation of the company's steam electric power generating plant. The water, shores, and adjacent uplands of this lake would be maintained by the company for public recreational uses.

The lands to be sold are not required for any immediate or foreseeable Federal use.

The PRESIDING OFFICER. The bill is open to further amendment.

If there be no further amendment to be proposed, the question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time and passed.

Mr. SMATHERS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

## AMENDMENT OF THE CAREER COMPENSATION ACT OF 1949, AND MAKE PERMANENT THE DEPENDENTS ASSISTANCE ACT OF 1950

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1539, H.R. 11221.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 11221) to amend section 302 of the Career Compensation Act of 1949, as amended (37 U.S.C. 252), to increase the basic allowance for quarters of members of the uniformed services and to make permanent the Dependents Assistance Act of 1950 as amended (50 App. U.S.C. 2201 et seq.), and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Armed Services with an amendment to strike out all after the enacting clause and insert:

That the table in section 302(f) of the Career Compensation Act of 1949, as amended (37 U.S.C. 252(f)), prescribing monthly basic allowances for quarters for members of the uniformed services, is amended to read as follows:

| "Pay grade | Without dependents | With dependents |
|---|---|---|
| O-10 | $160.20 | $201.00 |
| O-9 | 160.20 | 201.00 |
| O-8 | 160.20 | 201.00 |
| O-7 | 160.20 | 201.00 |
| O-6 | 140.10 | 170.10 |
| O-5 | 130.20 | 157.50 |
| O-4 | 120.00 | 145.05 |
| O-3 | 105.00 | 130.05 |
| O-2 | 95.10 | 120.00 |
| O-1 | 85.20 | 110.10 |
| W-4 | 120.00 | 145.05 |
| W-3 | 105.00 | 130.05 |
| W-2 | 95.10 | 120.00 |
| W-1 | 85.20 | 110.10 |
| E-9 | 85.20 | 120.00 |
| E-8 | 85.20 | 120.00 |
| E-7 | 75.00 | 114.90 |
| E-6 | 70.20 | 110.10 |
| E-5 | 70.20 | 105.00 |
| E-4 (over 4 years service) | 70.20 | 105.00 |
| E-4 (4 years or less service) | 45.00 | 45.00 |
| E-3 | 45.00 | 45.00 |
| E-2 | 45.00 | 45.00 |
| E-1 | 45.00 | 45.00" |

SEC. 2. Section 302(g) of the Career Compensation Act of 1949 (37 U.S.C. 252(g)) is repealed.

SEC. 3. Section 302(h) of the Career Compensation Act of 1949, as amended (37 U.S.C. 252(h)), is amended—

(1) by striking out the words "subsection (f) of this section" and substituting in place thereof the words "section 3 of the Dependents Assistance Act of 1950 (50 App. U.S.C. 2203)";

(2) by inserting the words "in pay grades E-1, E-2, E-3, and E-4 (four years' or less service)" after the words "enlisted members with dependents";

(3) by striking out the words "(or in the case of enlisted members in pay grades E-4 and E-5, $60; or in the case of enlisted members in pay grades E-6, E-7, E-8, and E-9, $80)"; and

(4) by inserting the following new clause immediately before the colon preceding the second proviso: "; or (7) for the calendar months in which such member serves on active duty for training (including full-time duty performed by members of the Army or Air National Guard for which they receive pay from the United States under section 316, 503, 504, or 505 of title 32, United States Code) if that training is for a period of thirty days or more".

SEC. 4. The Dependents Assistance Act of 1950, as amended (50 App. U.S.C. 2201 et seq.), is amended—

(1) by amending section 3 (50 App. U.S.C. 2203) to read as follows:

"SEC. 3. For the duration of this Act, section 302(f) of the Act of October 12, 1949 (Public Law 351, Eighty-first Congress), is hereby amended by striking out that portion of the table appearing therein which prescribes monthly basic allowances for quarters for enlisted members in pay grades E-1, E-2, E-3, and E-4 (four years' or less service) and inserting in lieu thereof the following new table:

| "Pay grade | Without dependents | 1 dependent | 2 dependents | 3 or more dependents |
|---|---|---|---|---|
| E-4 (4 years or less service) | $55.20 | $83.10 | $83.10 | $105.00 |
| E-3 | 55.20 | 55.20 | 83.10 | 105.00 |
| E-2 | 55.20 | 55.20 | 83.10 | 105.00 |
| E-1 | 55.20 | 55.20 | 83.10 | 105.00"; |

(2) by amending section 7 (50 App. U.S.C. 2207) by striking out the words "on training duty," and substituting in place thereof the words "in pay grades E–1, E–2, E–3, and E–4 (four years' or less service) on active duty for training for less than 30 days, to enlisted members on active duty for training under section 262 of the Armed Forces Reserve Act of 1952, as amended (50 U.S.C. 1013), or any other enlistment program that requires an initial period of active duty for training,"; and

(3) by amending section 8 (50 App. U.S.C. 2208) by striking out the words "For the purposes of this Act" and capitalizing the first letter of the next word and by inserting the words "(over four years' service)" after the words "pay grade E–4".

SEC. 5. The Secretaries of the departments concerned shall have the same authority with respect to payments of quarters allowances to enlisted members of the uniformed services in pay grades E–4 (over 4 years' service) through E–9 that they have with respect to enlisted members of the uniformed services in pay grades E–1, E–2, E–3, and E–4 (4 years' or less service) under sections 10 and 11 of the Dependents Assistance Act of 1950 (50 App. U.S.C. 2210, 2211).

SEC. 6. Section 1 (c) and (f) of the Act of May 19, 1952, chapter 310 (66 Stat. 79, 80) is repealed.

SEC. 7. This Act becomes effective on January 1, 1963.

## LUMP-SUM READJUSTMENT PAYMENTS FOR MEMBERS OF RESERVE COMPONENTS

Mr. CLARK. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. CLARK. I should like to have the attention of the Senator from Georgia [Mr. RUSSELL]. Through an inadvertence in my office and one of those misunderstandings that sometimes happen in the Senate, the bill H.R. 8773 was passed a few moments ago.

I had earlier written the majority leader to advise him that I desired to propose an amendment to that bill, and on the floor this morning, during the morning hour, I had spoken in support of my amendment and caused it to be printed and advised I would like to bring it up when the bill was considered.

I fully realize that no discourtesy to me was intended, and I am quite willing to share the blame in not realizing the bill was going to be taken up a few moments ago.

The sole purpose of my amendment was to make the provisions of the act effective June 30, 1962, instead of enactment of the act, as is presently provided. My reason for wishing to make that change is that I have received several communications from Reserve officers who are about to be retired and who will be retired after today but before June 30, 1962. I have in my hand a typical letter from a captain, U.S. Air Force, at Westover Air Force Base.

I believe that if the bill could be reconsidered, and if it could be amended so as to make the effective date June 30, 1962, what I am sure is an unintentional injustice to a number of Reserve officers could be avoided. I wonder whether my good friend who is the sponsor of the bill and the majority leader would be agreeable to a motion to reconsider the vote by which the bill was passed so that the effective date might be changed.

Mr. RUSSELL. First, I did not know the Senator intended to propose an amendment. I was not present when the Senator made his statement during the morning hour. I did not know that the amendment was at the desk until after the bill had been passed. At that time, one of the attachés of the Senate brought the amendment to me and asked if the bill could be reconsidered, for consideration of the amendment. I told him, as I tell the distinguished Senator, I do not think the amendment is necessary.

If the House passes the bill and if it is signed before June 30, as it should be, for we hope that the House will accept the amendment and send the bill to the White House, the bill will be enacted. The reason we were so desirous of getting the bill before the Senate was to avoid the very injustice of which the Senator complains. We have been trying to have the bill considered by the Senate in ample time to get it through the legislative process. It is a House bill. The Senate has amended it. If the House will accept the amendment, as I hope it will, the bill can be sent to the President, and if signed, can go on the statute books before the date set forth in the Senator's amendment.

Mr. CLARK. That is what worries me. The bill, as it passed the House and the Senate, would be effective as of the date of enactment. It is limited to that date. I am worried about the young men who are to be retired between now and June 30, who would not be covered by the act unless the effective date were postponed until June 30, to take them in.

Mr. RUSSELL. Mr. President, there must be a cutoff date at some time. This question has been before the Senate and the House for a number of years. The Senate passed a similar bill, which was sent to the House the year before last. The House did not consider the bill at that time. The reason we have brought the bill forth now is that we thought we had reason to believe the House would consider it.

Mr. CLARK. Mr. President, will the Senator yield further?

Mr. RUSSELL. I yield.

Mr. CLARK. I am quite in accord with the Senator that there should be a cutoff date. My only point is that the cutoff date should be June 30, only 5 days from now, to take care of individuals to be retired June 30 who may lose the benefits of the bill if it should become effective before that date.

Mr. RUSSELL. Mr. President, undoubtedly some young men are being separated from service today. I do not see that the one who may be separated June 30 should have any advantage over the one who is separated on June 25.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. CLARK. I fear the Senator and I are still talking at cross purposes. I shall try to make my point clear to the Senator.

The individuals who are separated today will be covered by the bill, because it will not be signed until after today. If the bill is signed after today but before June 30, a relatively large group of Reserve officers who have already received notices that they are to be retired on June 30 will not be covered by the bill. To prevent that injustice, I wish to make the cutoff date June 30 instead of the date on which the President signs the bill, which could be before June 30.

Mr. RUSSELL. Any man who is separated involuntarily after the President signs the bill will get the benefit of it. It does not matter what day that is. If by some legislative alchemy the bill might be approved by the House and signed by the President tonight and the man is retired tomorrow, he will get the benefits of the bill.

I do not like to have retroactive provisions offered to take care of individuals. We are dealing with Armed Forces which now number 2,700,000 people. There are tens of thousands of Reserve officers in the services. As deserving as the case of this young captain may be, I think he ought to take his chances along with the other Reserve officers to be affected by the legislation. There have been literally thousands of them who have been separated in the past 3 or 4 years under the existing law. However notable may have been the services rendered by the individual whom the Senator has in mind, I do not think he is entitled to have any preferential treatment.

Mr. CLARK. If the Senator will yield further and finally, I shall not ask him to yield again.

Mr. RUSSELL. I yield.

Mr. CLARK. I have obviously not been able to get across to my friend from Georgia the point I have in mind, and it is my fault. I know my friend from Georgia is a man of great fairness and good will. I am confident that if I can sit down with him for 15 minutes or a half hour I can persuade him that what is happening may be an injustice to a relatively large number of officers who may not receive the benefits of the bill passed this afternoon, but who would do so if a very simple amendment could be adopted to make the effective date June 30. I know I could persuade my friend from Georgia.

Mr. RUSSELL. If we made the date June 30, 1962, and the President were to sign the bill on the 28th of June, a man separated on the 28th of June would not get the benefits of the bill, because he would be separated before the 30th of June.

I say to my friend from Pennsylvania, for whom I have the utmost regard, that it is impossible to pass legislation dealing with the Armed Forces, as large as they are now, without working some hardship on some man somewhere. There will be some fellow who will be separated one day, and the law will take effect the next day, I do not care what the provision is; whether it deals with compensation, with housing allowances, with retired benefits, or something else. It is impossible to exactly equalize the situation.

The situation is the same as that with respect to a tax bill. We cannot completely equalize a tax bill. What is a fair tax for one man is likely to force another out of business.

As much as I would like to have the bill reconsidered, regretfully I must oppose the Senator's suggestion. The bill will be effective the day it is signed, if the bill is approved by the House. We hope that will be this week. Any man who is due to be separated on the 30th day of June will get the full benefits of the bill. I can absolutely assure the Senator of that statement, whether it involves a small group or a large group.

Mr. CLARK. A parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. The Senator will state his inquiry.

Mr. CLARK. Will the Presiding Officer advise me how long the bill passed this afternoon, H.R. 8773, will remain in the control of the Senate, so that a motion to reconsider would be in order?

The PRESIDING OFFICER. In the ordinary course the bill would be transmitted to the House tomorrow.

Mr. CLARK. At what time tomorrow, Mr. President?

The PRESIDING OFFICER. Messages from the Senate usually arrive at the House of Representatives by the time that body meets.

Mr. CLARK. A further parliamentary inquiry, Mr. President, with respect to which I should like to have the attention of the majority leader.

The PRESIDING OFFICER. The Senator will state it.

Mr. CLARK. Has it been decided at what time the Senate will meet tomorrow?

Mr. MANSFIELD. It was thought that the Senate would convene at 12 o'clock. So long as the Senator has given me the opportunity to speak, I wish to state that to the best of my knowledge I have not received a letter from the Senator from Pennsylvania about the particular amendment which he has in mind. I am sure one was sent, but I have not seen it.

Mr. CLARK. I suspect that when my friend goes back to his office he will find it.

Mr. MANSFIELD. I have not been there today. That must be the answer.

Mr. CLARK. Mr. President, I rely on what I know is the fairness and justice of my friend from Georgia. I ask him to indulge me with a private conference on this question at some time within the next 45 minutes or an hour. If I cannot convince him I am correct about it, I shall make no further effort. If I can, I am sure another opportunity will be given to me when the Senate convenes tomorrow.

Mr. RUSSELL. Mr. President, I should be happy to discuss the subject with the distinguished Senator. I have been dealing with proposed legislation of that kind for many years. It is impossible to amend it so as to take care of every case and to equalize cases. What would the Senator do about the man who was separated yesterday?

Mr. CLARK. He would be covered. Everyone would be covered except the poor fellows who would be discharged on the 30th of June.

Mr. RUSSELL. I am not in favor of making the bill retroactive. How would the retroactive date be set? These men have been separated for the last 5 years.

Mr. CLARK. I do not want to make the provision retroactive. Let us not continue the discussion at this time. I shall be happy to discuss it with the distinguished Senator after adjournment. I thank my friend for his courtesy.

### ADJOURNMENT

Mr. SMATHERS. Mr. President, if there is no further business to come before the Senate, I move that the Senate adjourn until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 30 minutes p.m.) the Senate adjourned until tomorrow, Tuesday, June 26, 1962, at 12 o'clock meridian.

### NOMINATION

Executive nomination received by the Senate June 25, 1962:

IN THE ARMY

Chaplain (Col.) Charles Edwin Brown, Jr., O25845, U.S. Army, for appointment as Chief of Chaplains, U.S. Army, as major general in the Regular Army of the United States and as major general in the Army of the United States, under the provisions of title 10, United States Code, sections 3036, 3284, 3307, 3442, and 3447.

### CONFIRMATIONS

Executive nominations confirmed by the Senate June 25, 1962:

U.S. AIR FORCE

The following-named officer for appointment in the Air Force Reserve, to the grade indicated, under the provisions of chapter 35 and section 8373, title 10 of the United States Code:

Col. Arthur R. DeBolt to be brigadier general.

IN THE NAVY AND MARINE CORPS

The nominations beginning Van P. Liacopoulos to be ensign in the Navy, and ending Carl R. Yale to be second lieutenant in the Marine Corps, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on June 12, 1962.

## EXTENSIONS OF REMARKS

### The Mexican National Lottery

EXTENSION OF REMARKS
OF
**HON. PAUL A. FINO**
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
*Monday, June 25, 1962*

Mr. FINO. Mr. Speaker, I would like to tell the Members of this House about the Mexican national lottery.

In 1961, the gross receipts were almost $56 million of which the Government received about $15 million.

Mr. Speaker, Mexico, like the other nations of Latin America, realized the merits of lotteries long ago. There is not one Latin American country that does not have a national or State lottery. The lottery is a time-tested and proven financial device dating back several centuries.

Mr. Speaker, it is time that we, in the United States, overcame outdated prejudices and biases to take the proper view of gambling and its relation to the Government. Gambling is ineradicable and the Government should act to control it rather than ignore it. A national lottery in the United States would make the gambling urge work for the public good. It would easily pump into our Treasury over $10 billion a year in new income which can be used to cut taxes and reduce our big national debt.

### National School Lunch Program

EXTENSION OF REMARKS
OF
**HON. ALEXANDER WILEY**
OF WISCONSIN
IN THE SENATE OF THE UNITED STATES
*Monday, June 25, 1962*

Mr. WILEY. Mr. President, the national school lunch program over the years has served beneficially to improve the health of our school students and, as well, to provide a significant outlet for surplus farm commodities.

Currently, the administration is proposing a change in formula for apportioning Federal funds to the States for the school programs.

This recommendation, I believe, should be very carefully reviewed by Congress.

In a weekend address over Wisconsin radio stations, I was privileged to discuss the impact of the proposal.

I ask unanimous consent to have excerpts of my remarks printed in the RECORD.

There being no objections, the excerpts were ordered to be printed in the RECORD, as follows:

NATIONAL SCHOOL LUNCH PROGRAM

(Excerpts of address prepared for delivery by Senator ALEXANDER WILEY, Republican, of Wisconsin, over Wisconsin radio stations, June 23, 1962)

Senator ALEXANDER WILEY, Republican, of Wisconsin, in a broadcast over Wisconsin radio stations today discussed the school lunch program.

There follows the text of Senator WILEY's address:

"Over the years this program now benefiting more than 14 million students annually has been (1) an important factor for improving the health of our youth; and (2) a significant outlet for dairy and other surplus commodities.

"In Wisconsin, over 270,000 students participated in the lunch program last year. For